

Obrascón Huarte Lain, S.A.

Financial Statements for the year
ended 31 December 2018 and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Obrascón Huarte Lain, S.A.,

Opinion

We have audited the financial statements of Obrascón Huarte Lain, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As indicated in Note 9.4.1 to the accompanying financial statements, on 28 March 2019 the Company entered into an agreement with certain banks that extended, in the short term, the maturity of the guarantee facility drawn down against and which, together with the other available financial resources, enables it, based on the estimates of its directors, to implement the business plan approved by the Company and meet the current financial obligations arising therefrom. That business plan envisages significant improvements in the profitability of projects, as well as recurring contracting of future backlog and optimisation of the Company's working capital management.

In this context, possible failures to meet the objectives envisaged in the aforementioned plan may significantly affect the Company's ability to meet its future financial obligations, which means that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matters

As indicated in Note 9.1 to the accompanying financial statements, the Company has non-current financial assets amounting to EUR 201.6 million associated with the investment in the concession operator Cercanías Móstoles - Navacarnero, S.A., in liquidation, the recoverability of which is based on the positive outcome of the liquidation process in which the concession operator finds itself (see Note 17.3.2).

Also, Note 17.3.2 refers to the evolution of the Company's arbitration proceedings in relation to the Sidra Hospital project (Qatar), for which no provision had been recognised at year-end.

In addition, the Company has granted loans -past-due and claimable- to its main shareholder and companies related to it, amounting to EUR 119 million, for which an analysis of the credit risk of the counterparties has been performed, as indicated in Note 9.2, concluding favourably on their recoverability, provided that the debtor implements a divestment plan.

In this context, at the reporting date there are several uncertainties that could affect the ultimate outcome of the matters indicated above and, therefore, the estimates made by the Company's directors, based on the opinions of their advisers, could be significantly modified in the future. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of revenue from long-term contracts and amounts to be billed for work performed

Description

The Company uses the percentage of completion method to recognise revenue from long-term construction contracts.

This revenue recognition method was a key matter in our audit since it affects the valuation of the amounts to be billed for work performed (totalling EUR 136 million at 31 December 2018) and a very significant amount of total revenue, and requires Company management to make significant estimates relating mainly to the expected outcome of the contract, the amount of costs yet to be incurred, the measurement of the work completed in the period and the probability of recovering the amounts of claims and modifications to the initial contract. In this connection, it should be noted that the Company recognises contract modifications and claims when it has received approval for them from the customer. Also, if the parties have agreed to a modification, but the related price has yet to be determined, the corresponding revenue is recognised for an amount in relation to which it is highly probable that a significant change therein will not occur when the uncertainty associated therewith is resolved.

These judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied. In this connection, the construction project budgets, contract modifications and claims or damage caused affecting the judgements and estimates must be very closely monitored.

Procedures applied in the audit

Our audit procedures included a detailed analysis of a selection of projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Company. For this purpose, we held meetings with technical personnel of the Company and involved our internal infrastructure project specialists in order to evaluate, for certain significant projects, both the reasonableness of the assumptions and hypotheses used in updating the estimated costs, and the consistency of the stage of completion in relation to the actual units of work completed. We also reviewed the estimates made by the Company in 2017 with respect to the actual data for the contracts in 2018.

As regards the amounts to be billed for work performed, we analysed whether the recognition of revenue from work in progress that has not been approved by the end customer is appropriate in light of the applicable accounting framework. To this end, and in order to obtain evidence about the recoverability of the collection rights arising from contract modifications and claims, we evaluated the evidence provided by management, both internal and external. With respect to a selection of contracts based on qualitative and quantitative factors, we analysed the reasonableness of the most significant positions.

Lastly, we verified that the notes to the accompanying financial statements include the related disclosures required by the financial reporting framework. In this regard, the disclosures in Notes 4.11, 13 and 22.1 to the financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the directors' report includes a reference to the fact that the information described in section a) above is presented in the consolidated directors' report of the OHL Group, and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Company for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 27 March 2019.

Engagement Period

The Annual General Meeting held on 26 June 2018 appointed us as auditors for a period of one year from the year ended 31 December 2017, i.e. for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1988, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Ignacio Alcaraz Elorrieta

Registered in ROAC under no. 20687

1 April 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



OBRASCÓN HUARTE LAIN, S.A.

2018 Separate Financial Statements and Directors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

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OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Balance sheets as at 31 December 2018 and 2017

Assets	Note	31/12/18	31/12/17
Non-current assets			
Intangible assets	5		
Development expenditure		4,702	6,181
Patents, licences, trademarks and similar items		14	31
Computer software		4,006	5,314
Other intangible assets		1,524	6,021
		10,246	17,547
Property, plant and equipment	6		
Land and buildings		686	690
Machinery and plant		6,686	9,604
Other fixtures, tools and furniture		5,946	8,058
Investments in concessions		37	38
Other items of property, plant and equipment		6,811	10,499
Property, plant and equipment in the course of construction and advances		372	-
		20,538	28,889
Investment property	7		
Land		13	13
Buildings		884	900
		897	913
Non-current investments in Group companies and associates	9.3.1		
Equity instruments		214,339	700,509
Loans to companies		21,278	52,465
		235,617	752,974
Non-current financial assets			
Equity instruments	9.1	59,919	8
Loans to third parties	9.1	162,746	82,273
Debt securities	9.1	299	286
Other financial assets	9.1	6,117	104,159
		229,081	186,726
Deferred tax assets	20.5	82,052	72,727
TOTAL NON-CURRENT ASSETS		578,431	1,059,776
Current assets			
Non-current assets classified as held for sale	11	-	600,078
Inventories	12		
Raw materials and other supplies		19,013	18,549
Auxiliary shop projects and site installations		18,294	18,244
Advances to suppliers and subcontractors		14,480	25,664
		51,787	62,457
Trade and other receivables			
Trade receivables for sales and services	13	287,818	548,067
Trade receivables from Group companies	14.1	49,967	107,765
Trade receivables from associates	14.2	23,396	42,708
Sundry accounts receivable		27,834	25,423
Employee receivables		586	601
Current tax assets	20.1	28,578	19,523
Other accounts receivable from public authorities	20.1	23,421	27,836
		441,600	771,923
Current investments in Group companies and associates	9.3.2 & 9.3.3		
Loans to companies		1,430,165	1,226,537
Other financial assets		55,715	185,453
		1,485,880	1,411,990
Current financial assets			
Equity instruments	9.2	3	3
Loans to companies	9.2	121,126	5,033
Debt securities	9.2	-	23
Derivatives	9.2 & 10	-	39,703
Other financial assets	9.2	145,307	12,023
		266,436	56,785
Current prepayments and accrued income		20,816	27,105
Cash and cash equivalents	15		
Cash		461,987	125,193
Cash equivalents		33,865	12,313
		495,852	137,506
TOTAL CURRENT ASSETS		2,762,371	3,067,844
TOTAL ASSETS		3,340,802	4,127,620

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the balance sheet as at 31 December 2018.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Balance sheets as at 31 December 2018 and 2017

Equity and liabilities	Note	31/12/18	31/12/17
Equity			
SHAREHOLDERS' EQUITY			
Share capital			
Registered share capital	16.1	171,929	179,255
Share premium	16.3	1,265,300	1,265,300
Reserves			
Legal and bylaw reserves	16.2	11,969	11,969
Other reserves	16.4	26,470	67,989
(Treasury shares)	16.6	(370)	(48,638)
Prior years' losses		(804,975)	(743,195)
Profit (Loss) for the year	3	382,824	(61,780)
Interim dividend	16.5	(99,867)	-
TOTAL SHAREHOLDERS' EQUITY		953,280	670,900
GRANTS, DONATIONS AND LEGACIES RECEIVED	16.7	930	1,242
TOTAL EQUITY		954,210	672,142
Non-current liabilities			
Long-term provisions	17.1		
Other provisions		262,922	19,350
Non-current payables		262,922	19,350
Debt instruments and other marketable securities	18.1	659,298	883,385
Bank borrowings	18.1	1,521	4,926
Other financial liabilities	18.1	1,170	1,512
Deferred tax liabilities	20.6	6,746	6,063
TOTAL NON-CURRENT LIABILITIES		931,657	915,236
Current liabilities			
Short-term provisions	17.1	104,533	122,618
Current payables			
Debt instruments and other marketable securities	18.1	14,132	21,341
Bank borrowings	18.1	8,930	592,842
Obligations under finance leases	8 & 18.1	-	9
Derivatives	10 & 18.1	421	221
Other financial liabilities	18.1	6,040	7,360
Current payables to Group companies and associates	18.2	487,835	978,235
Trade and other payables			
Payables for purchases and services		456,259	470,534
Notes payable		22,087	6,742
Trade payables to Group companies	19.2	35,868	73,398
Trade payables to associates	19.2	18,489	30,719
Remuneration payable		4,486	11,433
Current tax liabilities	20.1	14,497	17,254
Other accounts payable to public authorities	20.1	25,397	25,436
Customer advances	13	259,961	182,100
TOTAL CURRENT LIABILITIES		837,044	817,616
TOTAL EQUITY AND LIABILITIES		3,344,802	4,127,620

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the balance sheet as at 31 December 2018.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Statements of profit or loss for the years ended 31 December 2018 and 2017

	Note	2018	2017
Revenue:	22.1		
Sales		328,050	436,473
Sales at UTEs (based on % of ownership)		280,677	267,225
		608,727	703,698
Change in inventories of auxiliary shops and site facilities		50	1,512
In-house work on non-current assets		144	305
Procurements:	22.2		
Cost of construction materials and machinery spare parts used		(123,895)	(118,278)
Work performed by other companies		(567,611)	(331,825)
Other operating income:			
Non-core and other current operating income		63,746	97,323
Income-related grants transferred to profit or loss		454	696
Staff costs:			
Wages, salaries and similar expenses	22.3	(183,246)	(215,378)
Employee benefit costs		(27,986)	(32,542)
Other operating expenses:			
Outside services		(186,994)	(198,107)
Taxes other than income tax		(6,016)	(7,036)
Losses on and write-down of trade receivables and changes in provisions for commercial transactions	22.4	(134,836)	467
Other current operating expenses	22.5	(255,151)	(2,435)
Depreciation and amortisation charge	5, 6 & 7	(15,147)	(18,270)
Excessive provisions	17.1	-	55,478
Impairment and gains or losses on disposals of non-current assets			
Impairment and other losses	5, 6 & 7	(9,070)	-
Gains or losses on disposals and other	5, 6 & 7	435	2,829
I. LOSS FROM OPERATIONS		(836,396)	(61,563)
Finance income:			
From investments in equity instruments:			
Group companies and associates	23.1	580,629	187,704
Third parties	22.6	3	2
From marketable securities and other financial instruments:			
Group companies and associates	23.1	61,709	71,588
Third parties	22.6	10,560	20,084
Finance costs:			
On debts to Group companies and associates	23.1	(32,789)	(61,376)
On debts to third parties	22.6	(64,148)	(75,237)
Interest cost relating to provisions	22.6	-	(351)
Change in fair value of financial instruments:			
Held-for-trading financial assets/liabilities and other	9.2	(89,628)	32,595
Exchange differences		(3,157)	(4,802)
Impairment and gains or losses on disposals of financial instruments:			
Impairment and other losses	22.7	(659,210)	(184,857)
Gains or losses on disposals and other	22.7	1,402,879	(45)
II. FINANCIAL PROFIT (LOSS)		1,206,848	(14,695)
III. PROFIT (LOSS) BEFORE TAX (I+II)		370,452	(76,258)
Income tax	20.2	12,372	14,478
IV. PROFIT (LOSS) FOR THE YEAR		382,824	(61,780)

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the statement of profit or loss for 2018.

OBRASCÓN HUARTE LAIN, S.A.

Thousands of euros

Statements of changes in equity for the years ended 31 December 2018 and 2017

**A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

	2018	2017
PROFIT (LOSS) FOR THE YEAR (per statement of profit or loss)	382,824	(61,780)
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY:	52	(4,330)
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	-	(6,326)
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	69	553
Arising from actuarial gains and losses and other adjustments	-	-
Other income and expenses recognised directly in equity	-	-
Tax effect	(17)	1,443
TRANSFERS TO PROFIT OR LOSS:	(364)	7,192
Arising from revaluation of financial instruments:		
a) Available-for-sale financial assets	-	9,999
b) Other income/(expenses)	-	-
Arising from cash flow hedges	-	-
Grants, donations and legacies received	(485)	(409)
Other income and expenses recognised directly in equity	-	-
Tax effect	121	(2,398)
TOTAL RECOGNISED INCOME/(EXPENSE)	382,512	(58,918)

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the statement of changes in equity for 2018.

Statements of changes in equity for the years ended 31 December 2018 and 2017
OBRASCON HUARTE LAIN, S.A.

Thousands of euros

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

	Shareholders' equity							Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share premium	Reserves	(Treasury shares)	Prior years' losses	Profit (Loss) for the year	Interim dividend			
Ending balance at 31/12/16	179,255	1,265,300	79,679	(46,145)	(317,536)	(425,659)	-	(2,755)	1,135	733,274
Total recognised income/(expense)	-	-	-	-	-	(61,780)	-	2,755	107	(58,918)
Transactions with shareholders or owners	-	-	279	(2,493)	-	-	-	-	-	(2,214)
Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	-	279	(2,493)	-	-	-	-	-	(2,214)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(425,659)	425,659	-	-	-	-
Ending balance at 31/12/17	179,255	1,265,300	79,958	(48,638)	(743,195)	(61,780)	-	-	1,242	672,142
Total recognised income/(expense)	-	-	-	-	-	382,824	-	-	(312)	382,512
Transactions with shareholders or owners	(7,326)	-	(41,519)	48,268	-	-	(99,867)	-	-	(100,444)
Capital increases/(reductions)	(7,326)	-	(39,694)	47,020	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(99,867)	-	-	(99,867)
Treasury share transactions (net)	-	-	(1,825)	1,248	-	-	-	-	-	(577)
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(61,780)	61,780	-	-	-	-
Ending balance at 31/12/18	171,929	1,265,300	38,439	(370)	(804,975)	382,824	(99,867)	-	930	954,210

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the statement of changes in equity for 2018.

OBASCÓN HUARTE LAIN, S.A.

Thousands of euros

Statements of cash flows for the years ended 31 December 2018 and 2017

	2018	2017
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	(633,547)	160,737
1. Profit (Loss) before tax	370,452	(76,258)
2. Adjustments to profit (loss)	(799,879)	(23,962)
(+) Depreciation and amortisation charge	15,147	18,270
(+/-) Other (net) adjustments to profit (loss) (Note 25.3)	(815,026)	(42,232)
3. Changes in working capital	(637,655)	36,018
4. Other cash flows from operating activities:	433,535	224,939
(-) Interest paid	(91,696)	(136,547)
(+) Dividends received	580,632	187,706
(+) Interest received	62,661	83,998
(+/-) Income tax recovered/(paid)	(11,193)	20,604
(+/-) Other amounts received/(paid) relating to operating activities	(106,869)	69,178
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	1,910,881	(328,811)
1. Payments due to investment:	(252,621)	(345,265)
(-) Group companies, associates and business units	(13,704)	(323,635)
(-) Property, plant and equipment, intangible assets and investment property	(11,995)	(20,880)
(-) Other financial assets	(226,922)	(750)
2. Proceeds from disposal:	2,163,502	16,454
(+) Group companies, associates and business units	2,158,073	2,498
(+) Property, plant and equipment, intangible assets and investment property	3,881	12,810
(+) Other financial assets	1,548	1,146
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)	(918,988)	18,532
1. Proceeds and (payments) relating to equity instruments:	(508)	(1,733)
(-) Purchase	(65,592)	(63,937)
(+) Disposal	65,015	61,725
(+) Grants	69	479
2. Proceeds and (payments) relating to financial liability instruments	(818,613)	20,265
(+) Proceeds from issue	13,850	363,263
(-) Repayment and redemption	(832,463)	(342,998)
3. Dividends and returns on other equity instruments paid	(99,867)	-
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	358,346	(149,542)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,506	287,048
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	495,852	137,506

Note: the accompanying Notes 1 to 27 and Appendices I to V are an integral part of the statement of cash flows for 2018.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

OBASCÓN HUARTE LAIN, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1.- COMPANY ACTIVITIES

Obrascón Huarte Lain, S.A., formerly Sociedad General de Obras y Construcciones Obrascón, S.A., was incorporated on 15 May 1911 and its registered office is located in Madrid, at Paseo de la Castellana, 259-D.

Its company object and its business activity is mainly the construction of all manner of civil engineering works and buildings for public agencies and private customers. In addition, its company object includes the provision of public and private services, the operation of administrative concessions and hotel complexes, and real estate development and the sale of property.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

2.2 Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records and include the unincorporated temporary joint ventures (UTES) in which it has interests, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2017. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2017 were approved by the shareholders at the Annual General Meeting held on 26 June 2018.

Since Obrascón Huarte Lain, S.A. is the head of a group of companies which form the Obrascón Huarte Lain Group, under current legislation it is obliged to prepare consolidated financial statements separately. The aforementioned consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July.

The 2018 consolidated financial statements of Obrascón Huarte Lain, S.A. and Subsidiaries, prepared in accordance with International Financial Reporting Standards as adopted by the European

Union (EU-IFRSs), present consolidated attributable equity of EUR 786,773 thousand and consolidated assets and losses attributable to the Parent of EUR 4,103,403 thousand and EUR (1,577,346) thousand, respectively.

The consolidated financial statements of the Obrascón Huarte Lain Group for 2018, prepared by the directors, will also be submitted for approval by the shareholders at the Annual General Meeting. The consolidated financial statements for 2017 were approved by the shareholders at the Annual General Meeting held on 26 June 2018.

2.3 Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied.

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

2.4 Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The useful life of intangible assets and property, plant and equipment and impairment losses thereon (see Notes 4.1, 4.2 and 4.3).
- The assessment of possible impairment losses on certain assets (see Note 4.3).
- The recognition of construction contract revenue and costs (see Note 4.11).
- The amount of certain provisions (see Notes 4.12 and 17).
- The fair value of certain financial instruments (see Note 10).
- The assessment of possible contingencies relating to employment, tax and legal risks (see Notes 4.13, 17 and 20.7.).
- Financial risk management (see Note 9.4.1).

Although these estimates were made on the basis of the best information available at 2018 year-end on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

3.- PROPOSED DISTRIBUTION OF PROFIT

The distribution of profit for 2018 that the directors of Obrascón Huarte Lain, S.A. will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
2018 profit	382,824
Distribution:	
To legal reserve	22,417
Interim dividend	99,867
Offset of prior years' losses	260,540

4.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements in accordance with the Spanish National Chart of Accounts (2007) and the adaptation for construction companies of the former Spanish National Chart of Accounts (1990), which remains in force in relation

to all matters which do not contravene the provisions of the new Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

All of the Company's intangible assets have a finite useful life.

Development expenditure

The Company capitalises the development expenditure which it incurs during the year when the following conditions are met:

- It is specifically itemised by project and the related costs can be clearly identified.
- There are sound reasons to foresee the technical success and economic and commercial profitability of the related projects.

Assets thus generated are amortised on a straight-line basis over their years of useful life (over a maximum period of five years).

If there are doubts as to the technical success or economic profitability of the related project, the amounts capitalised are recognised directly in profit or loss.

Intellectual property

"Intellectual Property" includes the costs incurred in obtaining intellectual property or the right to use the related items, such as invention patents, utility model certificates, industrial designs and introduction patents, among others.

Intellectual property is measured at acquisition or production cost, based on the development expenditure incurred and capitalised (provided there is a successful outcome), and filed in the appropriate register (accordingly, the intellectual property registration and formalisation costs are added). Research expenditure is not included under any circumstances.

These assets are amortised on a straight-line basis over the related years of useful life, in accordance with the related protection period.

Computer software

"Computer Software" includes mainly the costs incurred in the installation and acquisition of computer software, which is amortised on a straight-line basis over a maximum period of four years.

4.2 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost (revalued in accordance with the applicable legislation including Royal Decree-Law 7/1996), less any related accumulated depreciation and impairment losses, as described in Note 4.3.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Upkeep and maintenance expenses are expensed currently.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, direct labour and general manufacturing costs).

The Company depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life of the related assets.

The years of estimated useful life for each group of items of property, plant and equipment are as follows:

	Years of estimated useful life
Buildings	25-50
Machinery and plant	8-16
Other fixtures, tools and furniture	10
Other items of property, plant and equipment	3-5

Investments in concessions are depreciated on a straight-line basis over the term of the concession.

4.3 Impairment of intangible assets and property, plant and equipment

The Company reviews the carrying amount of its intangible assets and property, plant and equipment to compare it with the recoverable amount in order to determine if there are any impairment losses.

Recoverable amount is the higher of:

- Fair value:
The price that would be agreed upon by two independent parties, less costs to sell and
- Value in use:
Estimated present value of the expected future cash flows.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised.

When an impairment loss subsequently reverses, income is recorded up to the amount of the impairment loss previously recognised.

4.4 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Investment property is measured as described in Note 4.2 on property, plant and equipment.

4.5 Non-current assets classified as held for sale

Assets are classified under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The asset must be available for immediate sale, subject to the usual terms and conditions of sale, and the sale must be highly probable. The sale is considered to be highly probable when there is a plan to sell the assets and an active programme to locate a buyer and complete the plan has been initiated. Also, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

4.6 Leases

Leases are classified as finance leases whenever it is deduced that from the terms of the lease substantially all the risks and rewards of ownership of the leased asset are assumed. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the statement of profit or loss for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

Operating leases are deemed to be those in which the lessor grants the lessee the right to use an asset for a specified period of time and, therefore, they are leases for rights of use that do not transfer the risks and rewards incidental to ownership of an asset and are accounted for on the basis of the contractual nature of each transaction.

Expenses resulting from operating leases are charged to income in the year in which they are incurred. A payment or prepayment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

4.7 Financial instruments

4.7.1. Financial assets

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

Initial recognition

Loans and receivables are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Loans and receivables are measured at amortised cost.

- b) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and which the Company has the positive intention and ability to hold to the date of maturity.

Initial recognition

Held-to-maturity investments are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Held-to-maturity investments are measured at amortised cost.

- c) Equity investments in Group companies and associates: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence.

Initial recognition

Equity investments in Group companies and associates are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Equity investments in Group companies and associates are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

- d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Available-for-sale financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

Subsequent measurement

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. In this regard, (permanent) impairment is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

In particular, the Company calculates valuation adjustments relating to trade and other receivables by recognising impairment on balances of a certain age or on those affected by circumstances that justify a valuation adjustment such as customer disputes and litigation, even when the Company continues to take measures to recover the amounts in full.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the Company does not retain any credit or interest rate risk, sales of financial assets under an agreement to repurchase them at fair value and the securitisation of financial assets in which the transferor does not retain any subordinated debt, provide any kind of guarantee or assume any other kind of risk.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, recourse factoring, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the transferor retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses.

4.7.2. Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Financial liability instruments are measured at fair value.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.7.3. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss.

4.7.4. Derivative financial instruments and hedges

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges and equity swaps.

The foreign currency hedges are future exchange commitments, on the basis of which the Company and banks agree to exchange currencies in the future. In relation to the equity swap tied to the Company's share price, the commitment is to pay or receive the result of the change in the share price with respect to the reference price and to pay a floating interest rate.

When the Company arranges a derivative, it does not do so with the intention of settling it early or of trading with it. The Company does not use derivatives for speculative purposes, but rather to mitigate the economic effects of exchange rate fluctuations arising from its foreign trade and financing activities.

Derivatives are recognised on the balance sheet at their fair value in the same way as any other financial assets or liabilities. Only certain derivatives can be considered to qualify for hedge accounting.

As in the case of other financial assets and liabilities, recognition of the fair value of a derivative gives rise to a change in equity when the derivative is considered to qualify for hedge accounting. The change in equity is recognised under "Valuation Adjustments". When the derivative is not considered to qualify for hedge accounting it is recognised directly in profit or loss. The value of a derivative takes into consideration the assessment of credit risk or the risk of counterparty default, which leads to a reduction in the value of the related asset or liability.

The requirements that must be met for a derivative to qualify for hedge accounting are as follows:

- The underlying in relation to which the derivative is arranged to mitigate the economic effects that might arise therefrom as a result of fluctuations in exchange rates, interest rates or both simultaneously must initially be identified.
- When the derivative is arranged, the reason for which it was arranged must be appropriately documented and the hedged risk must be identified.
- It must be demonstrated that the hedge is effective from the date of the arrangement of the derivative to the date of its settlement, i.e. that it meets the objective initially defined. In order to assess this, the effectiveness of the hedge is tested.

In order for derivatives to qualify for hedge accounting, the cumulative balances of "Equity" are transferred to the statement of profit or loss when, and to the extent that, the gains or losses on the hedged risk of the underlying also start to be reflected in the statement of profit or loss.

When the derivative does not qualify for hedge accounting, or the Company voluntarily decides not to apply hedge accounting, changes in fair value are recognised in profit or loss.

4.8 Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value.

The Company recognises the appropriate write-downs as an expense in the statement of profit or loss when the net realisable value of the inventories is lower than acquisition or production cost.

4.9 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

4.10 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

At 31 December 2018, the Company was head of the Obrascón Huarte Lain consolidated tax group.

4.11 Revenue and expense recognition

In the construction industry, revenue is calculated using the stage of completion method whereby, in construction projects from which a final profit is expected, the outcome is calculated by applying to the expected profit the percentage resulting from comparison of the actual costs incurred up to that date with the projected total costs through completion of the project.

The estimates used to calculate the stage of completion only include the effect on the outcome of projects of the margin on certain contract modifications, addenda and settlements when it is highly probable that they will be realisable. An expected loss on a construction contract is recognised as an expense immediately.

Claims against customers arising from litigation or arbitration proceedings are in no case included in the final objective and are only recognised as income when the resolution thereof occurs and if it is favourable.

The Company periodically performs a recoverability analysis of the amounts recognised based on the progress of the negotiations, recognising where applicable the necessary provisions to adjust the balances to their recoverable amount.

"Amounts to Be Billed for Work Performed" represents the difference between the amount of the completed work recognised, including the adjustment to the margin recognised by application of the stage of completion, and the amount of billed completed work through the balance sheet date.

If the amount of production from inception is lower than the amount billed, the difference is recognised under "Customer Advances" on the liability side of the balance sheet.

Late-payment interest which could accrue under the contracts due to delays in the collection of billings or invoices is recognised when it is probable that it will be received and when the amount thereof can be reliably measured, and is recognised as finance income.

The estimated site clearance costs and the expenses which may arise from completion of a project until its definitive settlement are accrued over the construction period on the basis of production volumes, and are recognised under "Short-Term Provisions" on the liability side of the balance sheet. Other expenses are recognised on an accrual basis.

The revenue of the other activities is recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

4.12 Provisions

The Company's financial statements include all the material provisions with respect to which it is considered that it is highly probable that the obligation covered by them will have to be settled (see Note 17.1). Contingent liabilities are not recognised in the financial statements, but rather are disclosed (see Note 17.3).

Provisions are classified as current or non-current based on the estimated period of time for meeting the obligations covered by them.

The most significant provisions are as follows:

Provision for taxes

This is an estimate of tax debts, the exact amount of which cannot be determined or whose date of payment is uncertain since this depends on whether certain conditions are met.

Provisions for litigation and third-party liability

These provisions are recognised in order to cater for the possible adverse economic effects that might arise from the litigation and claims against the Company arising from the ordinary course of its operations.

Provision for investees

The purpose of this provision is to cover the losses that the Company would have to bear in the event of the disposal or dissolution of Group companies or associates that have an equity deficit and no unrealised gains.

Provision for project completion

This provision is intended to cover the expenses arising from completion of a project until its definitive settlement. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Provision for management and other fees

This provision relates to the amount incurred for project management and inspection fees, laboratory, layout and other fees payable at the balance sheet date. The amounts of these fees are established in the related project specifications and in current legislation. The estimated costs in this connection are accrued over the construction period on the basis of production volumes.

Other provisions

This relates to prepayment of expenses such as guarantees and insurance and provisions for third-party liability and other construction costs.

4.13 Termination benefits

In accordance with the various collective labour agreements in force, the Company is required to pay termination benefits to employees terminated under certain conditions.

"Short-Term Provisions" on the liability side of the balance sheet includes a provision for the liability incurred in this connection for temporary site employees, based on the average remuneration rate and the average years of service (see Note 17.1).

On 8 June 2018, the Company and the workers' representatives ratified a collective redundancy procedure effective until 31 December 2018 which involved the termination of 140 jobs, and the related expenses were recognised in this connection (see Note 22.3.).

Termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision is taken.

4.14 Environmental assets, liabilities and activities

Environmental activities are those the main purpose of which is to prevent, reduce or redress damage to the environment.

The Company's main activity is construction. Most construction contracts include an environmental impact assessment and the performance of work to conserve, maintain and restore the environment.

The Company does not consider environmental assets and expenses to be those related to the aforementioned provision of services since they are performed for third parties. However, environmental claims and obligations are included regardless of whether or not they arise from the Company's own operations or operations performed for third parties.

Investments relating to environmental activities are measured at acquisition cost and capitalised as an addition to non-current assets in the year in which they are made.

Environmental protection and enhancement expenses are recognised in the statement of profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

4.15 Grants, donations and legacies received

The Company accounts for grants, donations and legacies received as follows:

- a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss. Until they are recognised in profit or loss, they are presented net of their tax effect, in equity.
- b) Refundable grants: while they are refundable, they are recognised as a liability.
- c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.


4.16 Joint arrangements

A joint arrangement is an economic activity in which joint control is exercised by two or more physical or legal persons (venturers), which occurs when there is a bylaw or contractual arrangement whereby the venturers agree to share the management of the financial and operating policies and, therefore, strategic decisions require the unanimous consent of all of the venturers.

Joint ventures may occur through the incorporation of a company, an actual joint venture, or through the constitution of joint property entities or UTEs, i.e. joint arrangements.

As is customary in the construction industry, certain construction projects are performed through the grouping of several companies as a UTE.

The main UTEs in which the Company participated at 31 December 2018 are detailed in Appendix I to these notes to the financial statements.



The outcome of construction work performed at UTEs is recognised by the same method as that applied by the Company for its own construction projects, as explained in Note 4.11.

The expenses incurred on behalf of, and other services provided to, the UTEs are recognised when the expense is incurred or the service provided. These amounts are recognised under “Non-Core and Other Current Operating Income” in the statement of profit or loss.

In accordance with recognition and measurement standard 20 of the Spanish National Chart of Accounts, the financial statements reflect the effect of the proportionate consolidation of the UTEs in which the Company holds ownership interests at year-end, through the inclusion of its share therein in the various statement of profit or loss and balance sheet headings. These balances, when material, are shown in the following Notes. In addition, the proportional part corresponding to the Company of the related items of the UTEs are included in the statement of changes in equity and the statement of cash flows.

4.17 Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year. Other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period, financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year, and cash and cash equivalents are also deemed to be current assets. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

4.18 Statement of cash flows

Cash flows are inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value. The statement of cash flows, which was prepared using the indirect method, reflects the changes in cash flows in the year, classifying them as:

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

5.- INTANGIBLE ASSETS

The changes in “Intangible Assets” in the balance sheet in 2018 and 2017 were as follows:

2018

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,692	144	(158)	-	-	19,678
Accumulated amortisation	(13,511)	(1,465)	-	-	-	(14,976)
	6,181	(1,321)	(158)	-	-	4,702
Computer software:						
Cost	22,260	1,320	(322)	10	9,191	32,459
Accumulated amortisation	(16,946)	(2,838)	68	(10)	-	(19,726)
Impairment	-	(8,727)	-	-	-	(8,727)
	5,314	(10,245)	(254)	-	9,191	4,006
Patents, licences and trademarks:						
Cost	158	11	-	-	-	169
Accumulated amortisation	(127)	(28)	-	-	-	(155)
	31	(17)	-	-	-	14
Other intangible assets in progress:						
Cost	6,021	5,884	(1,190)	-	(9,191)	1,524
	6,021	5,884	(1,190)	-	(9,191)	1,524
Total:						
Cost	48,131	7,359	(1,670)	10	-	53,830
Accumulated amortisation	(30,584)	(4,331)	68	(10)	-	(34,857)
Impairment	-	(8,727)	-	-	-	(8,727)
Total intangible assets	17,547	(5,699)	(1,602)	-	-	10,246

2017

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Development expenditure:						
Cost	19,782	213	(300)	-	(3)	19,692
Accumulated amortisation	(12,712)	(799)	-	-	-	(13,511)
	7,070	(586)	(300)	-	(3)	6,181
Computer software:						
Cost	20,959	1,308	(136)	(50)	179	22,260
Accumulated amortisation	(14,363)	(2,736)	113	40	-	(16,946)
Impairment	-	-	-	-	-	-
	6,596	(1,428)	(23)	(10)	179	5,314
Patents, licences and trademarks:						
Cost	299	-	(144)	-	3	158
Accumulated amortisation	(224)	(47)	144	-	-	(127)
	75	(47)	-	-	3	31
Other intangible assets in progress:						
Cost	-	6,200	-	-	(179)	6,021
	-	6,200	-	-	(179)	6,021
Total:						
Cost	41,040	7,721	(580)	(50)	-	48,131
Accumulated amortisation	(27,299)	(3,582)	257	40	-	(30,584)
Total intangible assets	13,741	4,139	(323)	(10)	-	17,547

The additions in 2017 and 2018 recognised under "Other Intangible Assets in Progress" relate to investments in software development systems aimed at improving the Company's management and IT systems. In 2018 these projects were halted as a result of the significant organisational changes made, which gave rise to a change in the scope and definition of these projects. The Company transferred these assets to "Computer Software" and, following a review of the value thereof, estimated the existence of an impairment loss thereon of EUR 8,727 thousand.

The net loss on disposal of intangible asset items in 2018 amounted to EUR 1,597 thousand (2017: net loss of EUR 306 thousand).

At 31 December 2018, the cost and accumulated amortisation included EUR 651 thousand and EUR 587 thousand, respectively, related to UTEs (31 December 2017: EUR 635 thousand and EUR 549 thousand, respectively).

At 31 December 2018, the cost and accumulated amortisation of intangible assets located abroad amounted to EUR 807 thousand and EUR 686 thousand, respectively (31 December 2017: EUR 784 thousand and EUR 649 thousand, respectively).

At 31 December 2018, fully amortised intangible assets in use amounted to EUR 22,941 thousand (31 December 2017: EUR 22,688 thousand).

In 2018 the Company received Government grants amounting to EUR 69 thousand earmarked for various R&D projects (2017: EUR 603 thousand) (see Note 16.7). At the end of 2018 EUR 145 thousand had been capitalised in connection with these projects.

6.- PROPERTY, PLANT AND EQUIPMENT

The changes in “Property, Plant and Equipment” in the balance sheet in 2018 and 2017 were as follows:

2018

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	797	-	-	-	-	797
Accumulated depreciation	(107)	(4)	-	-	-	(111)
	690	(4)	-	-	-	686
Machinery and plant:						
Cost	90,948	2,571	(3,319)	(830)	(139)	89,231
Accumulated depreciation	(81,344)	(4,389)	1,967	1,079	142	(82,545)
	9,604	(1,818)	(1,352)	249	3	6,686
Other fixtures, tools and furniture:						
Cost	61,550	850	(1,434)	620	3	61,589
Accumulated depreciation	(50,536)	(2,411)	1,267	(857)	2	(52,535)
Impairment	(2,956)	-	-	(152)	-	(3,108)
	8,058	(1,561)	(167)	(389)	5	5,946
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(13)	(1)	-	-	-	(14)
Impairment	(68)	-	-	-	-	(68)
	38	(1)	-	-	-	37
Other items of property, plant and equipment:						
Cost	37,089	766	(4,890)	(765)	627	32,827
Accumulated depreciation	(26,462)	(3,995)	4,625	437	(144)	(25,539)
Impairment	(128)	(343)	-	(6)	-	(477)
	10,499	(3,572)	(265)	(334)	483	6,811
Property, plant and equipment in the course of construction and advances:						
Cost	-	863	-	-	(491)	372
	-	863	-	-	(491)	372
Total:						
Cost	190,503	5,050	(9,643)	(975)	-	184,935
Accumulated depreciation	(158,462)	(10,800)	7,859	659	-	(160,744)
Impairment	(3,152)	(343)	-	(158)	-	(3,653)
Total property, plant and equipment	28,889	(6,093)	(1,784)	(474)	-	20,538

	Thousands of euros					
	Beginning balance	Additions or charge for the year	Disposals or reductions	Exchange differences	Transfers	Ending balance
Land and buildings:						
Cost	797	-	-	-	-	797
Accumulated depreciation	(104)	(3)	-	-	-	(107)
	693	(3)	-	-	-	690
Machinery and plant:						
Cost	102,089	525	(12,084)	(3,097)	3,515	90,948
Accumulated depreciation	(86,992)	(6,425)	9,672	2,352	49	(81,344)
	15,097	(5,900)	(2,412)	(745)	3,564	9,604
Other fixtures, tools and furniture:						
Cost	72,035	1,756	(3,909)	(6,914)	(1,418)	61,550
Accumulated depreciation	(57,609)	(3,922)	3,985	5,701	1,309	(50,536)
Impairment	(3,388)	-	-	432	-	(2,956)
	11,038	(2,166)	76	(781)	(109)	8,058
Investments in concessions:						
Cost	119	-	-	-	-	119
Accumulated depreciation	(13)	-	-	-	-	(13)
Impairment	(68)	-	-	-	-	(68)
	38	-	-	-	-	38
Other items of property, plant and equipment:						
Cost	36,616	6,038	(3,164)	(2,741)	340	37,089
Accumulated depreciation	(25,783)	(4,322)	2,923	2,078	(1,358)	(26,462)
Impairment	(147)	-	-	19	-	(128)
	10,686	1,716	(241)	(644)	(1,018)	10,499
Property, plant and equipment in the course of construction and advances:						
Cost	2,498	-	(61)	-	(2,437)	-
	2,498	-	(61)	-	(2,437)	-
Total:						
Cost	214,154	8,319	(19,218)	(12,752)	-	190,503
Accumulated depreciation	(170,501)	(14,672)	16,580	10,131	-	(158,462)
Impairment	(3,603)	-	-	451	-	(3,152)
Total property, plant and equipment	40,050	(6,353)	(2,638)	(2,170)	-	28,889

There were no significant investment commitments in connection with property, plant and equipment in the course of construction and advances.

The net gain on disposal of property, plant and equipment items in 2018 amounted to EUR 2,032 thousand (2017: net gain of EUR 3,135 thousand).

At 31 December 2018, the cost, accumulated depreciation and impairment included EUR 30,500 thousand, EUR 24,470 thousand and EUR 3,242 thousand, respectively, related to UTEs (31 December 2017: EUR 29,209 thousand, EUR 21,720 thousand and EUR 3,084 thousand, respectively).

At 2018 year-end the cost, accumulated depreciation and impairment of property, plant and equipment located abroad amounted to EUR 145,024 thousand, EUR 125,103 thousand and EUR 3,243 thousand, respectively (2017 year-end: EUR 148,797 thousand, EUR 122,435 thousand and EUR 3,084 thousand, respectively).

At 31 December 2018, fully depreciated property, plant and equipment in use amounted to EUR 117,254 thousand (31 December 2017: EUR 109,825 thousand).

As indicated in Note 8, at the end of 2018 the Company did not hold any items of property, plant and equipment under finance leases.

The Company takes out all the insurance policies required to cover the possible risks to which its property, plant and equipment are subject.

7.- INVESTMENT PROPERTY

The changes in “Investment Property” in the balance sheet in 2018 and 2017 were as follows:

2018

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	189	-	-	-	189
Impairment	(176)	-	-	-	(176)
	13	-	-	-	13
Housing units:					
Cost	353	-	-	-	353
Accumulated depreciation	(24)	(3)	-	-	(27)
Impairment	(158)	-	-	-	(158)
	171	(3)	-	-	168
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(3)	-	-	-	(3)
	52	-	-	-	52
Car parks:					
Cost	579	-	-	-	579
Accumulated depreciation	(120)	(9)	-	-	(129)
Impairment	(9)	-	-	-	(9)
	450	(9)	-	-	441
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(34)	(4)	-	-	(38)
Impairment	(49)	-	-	-	(49)
	227	(4)	-	-	223
Total:					
Cost	1,486	-	-	-	1,486
Accumulated depreciation	(181)	(16)	-	-	(197)
Impairment	(392)	-	-	-	(392)
Total investment property	913	(16)	-	-	897

2017

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Building lots:					
Cost	189	-	-	-	189
Impairment	(176)	-	-	-	(176)
	13	-	-	-	13
Housing units:					
Cost	353	-	-	-	353
Accumulated depreciation	(21)	(3)	-	-	(24)
Impairment	(158)	-	-	-	(158)
	174	(3)	-	-	171
Offices:					
Cost	55	-	-	-	55
Accumulated depreciation	(3)	-	-	-	(3)
	52	-	-	-	52
Car parks:					
Cost	579	-	-	-	579
Accumulated depreciation	(111)	(9)	-	-	(120)
Impairment	(9)	-	-	-	(9)
	459	(9)	-	-	450
Other:					
Cost	310	-	-	-	310
Accumulated depreciation	(30)	(4)	-	-	(34)
Impairment	(49)	-	-	-	(49)
	231	(4)	-	-	227
Total:					
Cost	1,486	-	-	-	1,486
Accumulated depreciation	(165)	(16)	-	-	(181)
Impairment	(392)	-	-	-	(392)
Total investment property	929	(16)	-	-	913

Of the 2018 net balance, EUR 9 thousand relate to UTEs (31 December 2017: EUR 9 thousand).

The Company's investment property relates mainly to buildings held for capital appreciation.

The carrying amount of the most significant investments included under "Investment Property" at 31 December 2018 is as follows:

- Housing units, garages and storage rooms in Fuengirola amounting to EUR 205 thousand (2017: EUR 209 thousand).
- A commercial property in Barcelona amounting to EUR 188 thousand (2017: EUR 191 thousand).
- Garages in Almería amounting to EUR 314 thousand (2017: EUR 320 thousand).

No disposal of investment property took place in 2018 or 2017.

In 2018 the rental income from the Company's investment property amounted to EUR 68 thousand (2017: EUR 65 thousand) and related to the operation of a car park in Almería and the lease of offices in Las Palmas and housing units in Fuengirola. The other items of investment property do not generate revenue for the Company.

At 31 December 2018, certain items of investment property with a carrying amount of EUR 170 thousand (2017: EUR 172 thousand) were mortgaged as security for loans against which EUR 92 thousand had been drawn down (2017: EUR 105 thousand) (see Note 18.1).

At 31 December 2018, the fair value of the Company's investment property, calculated on the basis of in-house estimates and cadastral data, reasonably covers the value thereof.

8.- LEASES

8.1 Finance leases

At the end of 2018 the Company did not have any finance lease arrangements.

The total amounts corresponding to the finance lease transactions in force in 2017 that matured in 2018, all of which are measured at the present value of the minimum lease payments, are summarised below. The average term for the leases in force in 2017 was 37 months.

	Thousands of euros
	2017
Value recognised in non-current assets:	
Original cost excluding purchase option	50
Value of purchase option	-
Total value of assets held under finance leases	50
Lease payments:	
Paid in prior years	17
Paid in the year	24
Payable:	
Within one year	9
Between one and five years	-
Total lease payments	50

The amount of the interest recognised as an expense in 2018 was less than EUR 1 thousand (2017: EUR 2 thousand).

8.2 Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership.

The main operating leases relate to the Company's head office and other operating centres.

At 31 December 2018 and 2017, the future minimum payments under non-cancellable leases were as follows:

	Thousands of euros	
	2018	2017
Within one year	9,547	11,160
Between one and five years	14,110	19,272
After five years	-	223
Total	23,657	30,655

There are no significant leases in which the Company acts as the lessor.

9.- FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

9.1 Non-current financial assets

The detail of “Non-Current Financial Assets” at the end of 2018 and 2017 is as follows:

2018

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	299	-	299
Available-for-sale financial assets	59,919	-	-	-	59,919
Loans and receivables	-	162,746	-	6,117	168,863
Total non-current financial assets	59,919	162,746	299	6,117	229,081

2017

	Thousands of euros				
	Non-current financial instruments				
	Equity instruments	Loans to third parties	Debt securities	Other financial assets	Total
Held-to-maturity investments	-	-	286	-	286
Available-for-sale financial assets	8	-	-	-	8
Loans and receivables	-	82,273	-	104,159	186,432
Total non-current financial assets	8	82,273	286	104,159	186,726

At 31 December 2018, “Equity Instruments” included the investment in Cercanías Móstoles Navacarnero, S.A., a concession operator in liquidation that was acquired by OHL Concesiones S.A.U. in 2018, as a result of the sale of its share capital. This investment is carried at the net cost recognised by OHL Concesiones, S.A.U. (see Note 11).

At 31 December 2018, “Loans to Third Parties” included mainly the participating loan of EUR 125,879 thousand granted to Cercanías Móstoles Navacarnero, S.A., a concession operator in liquidation, and EUR 15,865 thousand relating to the costs of the enforcement of guarantees in relation to Cercanías Móstoles Navacarnero, S.A. by the Autonomous Community Government of Madrid, which the Company considers, based on the opinion of its legal advisers, to be recoverable (see Note 17.3.2). “Loans to Third Parties” also includes a participating loan of EUR 18,587 thousand granted to Aeropistas, S.L., a company in liquidation. These loans were acquired from OHL Concesiones S.A.U. as a result of the sale of all the share capital thereof (see Note 11).

At 31 December 2017, “Other Financial Assets” included EUR 97,596 thousand of the assets related to the costs of the guarantees enforced corresponding to the project for Qatar Foundation (see Note 17.3.2). In 2018 the recoverability of these assets was analysed and in view of the evolution of the arbitration proceedings in process, this balance was derecognised (see Note 22.7).

Also, at 31 December 2017 “Loans to Third Parties” included EUR 81,772 thousand, including interest, corresponding to a loan granted to Grupo Villar Mir, S.A.U. related to the price delivered in 2016 and which, following the rescission of the agreement to purchase all the share capital of

Pacadar, S.A. from which it arose, became a loan. This loan is secured by a pledge of all the shares of Pacadar, S.A. and bears annual interest at 5.0%. In 2018 this loan, in accordance with its maturity, was reclassified to “Current Assets - Loans to Companies” totalling EUR 83,878 thousand, including the interest (see Note 9.2).

The estimated detail, by maturity, of “Non-Current Financial Assets” is as follows:

Classification	Thousands of euros					
	2020	2021	2022	2023	Other	Total
Held-to-maturity investments	-	-	-	-	299	299
Available-for-sale financial assets	-	-	-	-	59,919	59,919
Loans and receivables	3,382	384	-	1,246	163,851	168,863
Total non-current financial assets	3,382	384	-	1,246	224,069	229,081

Impairment:

In 2018 there were no changes arising from impairments/reversals recognised in this line item. In 2017 the following changes occurred:

2017

Classification	Thousands of euros		
	Accumulated impairment losses at beginning of year	Impairment losses/reversals recognised in the year	Accumulated impairment losses at end of year
Available-for-sale financial assets	141	(141)	-

9.2 Current financial assets

The detail of “Current Financial Assets” at the end of 2018 and 2017 is as follows:

2018

Classification	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	-	-	1,965	1,968
Loans and receivables	-	121,126	-	-	143,342	264,468
Derivatives	-	-	-	-	-	-
Total current financial assets	3	121,126	-	-	145,307	266,436

2017

Classification	Thousands of euros					
	Current financial instruments					
	Equity instruments	Loans to companies	Debt securities	Derivatives	Other financial assets	Total
Held-to-maturity investments	3	-	23	-	7,917	7,943
Loans and receivables	-	5,033	-	-	4,106	9,139
Derivatives	-	-	-	39,703	-	39,703
Total current financial assets	3	5,033	23	39,703	12,023	56,785

At 31 December 2018, "Loans to Companies" included mainly the following loans to related companies:

- EUR 83,878 thousand corresponding to a loan granted to Grupo Villar Mir, S.A.U. related to the price delivered in 2016 for the purchase of Pacadar, S.A. and which, as a result of the rescission thereof, became a loan. This loan is secured by a pledge of all the shares of Pacadar, S.A. and bears annual interest at 5.0%, and
- EUR 35,223 thousand relating to a loan granted to Pacadar S.A. which earns annual interest of 5% and with an additional guarantee from Grupo Villar Mir, S.A.U. This loan was acquired from OHL Concesiones S.A.U. as a result of the sale of all the share capital thereof.

The collection rights for the loans granted to Grupo Villar Mir, S.A.U. and Pacadar, S.A. are due and claimable and, therefore, the Company has filed a court claim for the loan totalling EUR 35,223 thousand.

Based on the foregoing, the Company assessed the risk of impairment of these balances. This analysis was performed on the basis of a third-party report on the repayment capacity of the debtor for the amounts held, as well as their solvency and the likelihood of default. On the basis of the aforementioned report, the directors consider that at the reporting date there was no indication of impairment of the aforementioned amounts receivable at 31 December 2018.

At 31 December 2018, "Other Financial Assets" included EUR 140,000 thousand relating to a deposit provided to secure the guarantee lines for the multi-product syndicated financing agreement (see Note 18).

At 31 December 2017, "Other Financial Assets" amounted to EUR 12,023 thousand and related mainly to the term deposits (held-to-maturity investments) and short-term deposits.

"Derivatives", amounting to EUR 39,703 thousand at 31 December 2017 (see Note 10), relate to the currency forwards arranged by the Company in order to cover the economic impact that exchange rate fluctuations might have on payment obligations and collection rights in foreign currencies. These derivatives relate mainly to the currency forwards associated with the agreement entered into by OHL, S.A. and IFM Investors to sell all the shares in OHL Concesiones, S.A.U., in which the amount receivable was affected, among others, by the changes in value of the euro against the Mexican peso and the euro against the Peruvian nuevo sol, which was settled in 2018 when the sale was completed. This transaction gave rise to a loss of EUR 92,255 thousand, which was recognised under "Changes in Fair Value of Financial Instruments" in the statement of profit or loss.

9.3 Investments in Group companies and associates

9.3.1 Non-current investments in Group companies and associates

The changes in 2018 and 2017 in “Non-Current Investments in Group Companies and Associates” were as follows:

2018

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,222,909	131,412	(13,446)	-	1,340,875
Impairment	(537,800)	(607,780)	10,804	-	(1,134,776)
Capital payments payable	(186)	(15)	61	-	(140)
	684,923	(476,383)	(2,581)	-	205,959
Equity instruments of associates:					
Cost	19,955	6	-	-	19,961
Impairment	(150)	(11,420)	-	-	(11,570)
Capital payments payable	(4,219)	-	4,208	-	(11)
	15,586	(11,414)	4,208	-	8,380
Loans to Group companies:					
Cost	109,439	3,032	-	-	112,471
Impairment	(56,974)	(40,883)	-	-	(97,857)
	52,465	(37,851)	-	-	14,614
Loans to associates:					
Cost	-	6,664	-	-	6,664
	-	6,664	-	-	6,664
Total:					
Cost	1,352,303	141,114	(13,446)	-	1,479,971
Impairment	(594,924)	(660,083)	10,804	-	(1,244,203)
Capital payments payable	(4,405)	(15)	4,269	-	(151)
Total non-current investments in Group companies and associates	752,974	(518,984)	1,627	-	235,617

2017

	Thousands of euros				
	Beginning balance	Additions or charge for the year	Disposals or reductions	Transfers	Ending balance
Equity instruments of Group companies:					
Cost	1,532,086	291,530	(629)	(600,078)	1,222,909
Impairment	(383,442)	(158,282)	3,924	-	(537,800)
Capital payments payable	(205)	-	19	-	(186)
	1,148,439	133,248	3,314	(600,078)	684,923
Equity instruments of associates:					
Cost	20,357	-	(402)	-	19,955
Impairment	(421)	-	271	-	(150)
Capital payments payable	(5,962)	-	1,743	-	(4,219)
	13,974	-	1,612	-	15,586
Loans to Group companies:					
Cost	480,871	96,372	(467,804)	-	109,439
Impairment	(35,593)	(22,117)	736	-	(56,974)
	445,278	74,255	(467,068)	-	52,465
Loans to associates:					
Cost	-	-	-	-	-
	-	-	-	-	-
Total:					
Cost	2,033,314	387,902	(468,835)	(600,078)	1,352,303
Impairment	(419,456)	(180,399)	4,931	-	(594,924)
Capital payments payable	(6,167)	-	1,762	-	(4,405)
Total non-current investments in Group companies and associates	1,607,691	207,503	(462,142)	(600,078)	752,974

The main addition in 2018 to equity instruments of Group companies was the capital increase carried out at OHL Construcción Internacional, S.L.U. amounting to EUR 130,340 thousand, paid in full through conversion into capital of the loans granted in prior years.

Based on the results obtained by OHL Construcción Internacional, S.L. and OHL Desarrollos, S.L. in 2018, the Company assessed the recoverable amount of these investments in Group companies.

In the case of OHL Construcción Internacional, S.L., the Company used the cash flow projections for this business, on the basis of the updated budgets for each of the investees of OHL Construcción Internacional, S.L., which contain the most realistic revenue estimates based on historical information and updated economic and financial projections updated in its current and future backlog. These investments were measured by discounting the expected cash flows for the shareholder, using a discount rate that reflected the cost of own capital based on a risk-free interest rate of the country in which the company carries on its activities, taking as a reference the rate of a local bond adjusted by a risk premium of the activity and taking into account the leverage of the business carried on. Based on the foregoing, in 2018 the Company recognised impairment losses of EUR 263,623 thousand on its ownership interest.

The Company also assessed the fair value of its ownership interest in OHL Desarrollos, S.L. To carry out this analysis, the Company used the underlying carrying amount of the investee. Based on the foregoing, in 2018 the Company recognised impairment losses of EUR 334,700 thousand on its ownership interest in OHL Desarrollos, S.L.

The reductions in the cost and impairment of equity instruments in group companies relate mainly to the sale of L 6 Hotel Mayakoba, S.R.L. de C.V. at a net cost of EUR 1,827 thousand (cost of EUR 12,631 thousand and impairment of EUR 10,804 thousand), recognising a loss of EUR 1,794 thousand under "Impairment and Gains or Losses on Disposals of Financial Instruments" (see Note 22.7).

The equity of the Group companies is detailed in Appendix II -which is an integral part of this note-, and was obtained from the financial statements of the respective companies at 31 December 2018, the most significant of which were audited.

The changes in investments in Group companies and associates are detailed in Appendices III and IV.

The business activities and registered offices of the Group companies are listed in Appendix V.

The detail of "Non-Current Loans to Group Companies", net of allowances, at 31 December 2018 and 2017 is as follows:

Company	Thousands of euros	
	2018	2017
Loans to Group companies:		
Sociedad Concesionaria Aguas de Navarra, S.L.	5,347	2,315
Asfaltos y Construcciones Elsan, S.A.	5,000	5,000
Tenedora de Participaciones Tecnológicas, S.A.	4,199	4,199
OHL Industrial, S.L.	-	40,883
Mantohledo, S.A. (formerly Josefa Valcárcel 42, S.A.)	68	68
Total loans to Group companies	14,614	52,465

The net decrease relating to the loan granted to OHL Industrial, S.L. is due to the impairment of EUR 40,833 thousand recognised in 2018 (2017: EUR 22,117 thousand) and, therefore, this participating loan totalling EUR 63,000 has been written down in full.

The average interest rate applied to non-current loans to Group companies and associates in 2018 was 10.67 % and finance income amounted to EUR 1,409 thousand.

9.3.2 Current investments in Group companies

The detail of “Current Investments in Group Companies” at 31 December 2018 and 2017 is as follows:

2018

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	857,552	-	857,552
Obrascón Huarte Lain Desarrollos, S.L.	300,769	-	300,769
OHL Andina, S.A.	90,040	-	90,040
OHL Industrial, S.L.	81,700	21	81,721
OHL Servicios - Ingesán, S.A.U.	35,434	103	35,537
EyM Instalaciones, S.A.	34,680	-	34,680
Tenedora de Participaciones Tecnológicas, S.A.	8,745	-	8,745
OHL Construction Pacific PTY Ltda.	-	5,035	5,035
OHL Arabia, LLC	4,910	89	4,999
Constructora e Inmobiliaria Huarte, Ltda.	4,886	-	4,886
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,822	-	3,822
OHL Colombia, S.A.S.	2,692	82	2,774
OHL Infrastructure, INC	-	2,572	2,572
Asfaltos y Construcciones Elsan, S.A.	1,033	72	1,105
Vacua, S.A.	-	1,099	1,099
OHL Uruguay, S.A.	878	96	974
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	-	636	636
Construcciones Colombianas OHL, S.A.S.	15	547	562
OHL Industrial Chile, S.A.	547	-	547
Less than EUR 300 thousand	546	336	882
TOTAL	1,428,249	10,688	1,438,937

2017

Company	Thousands of euros		
	Loans	Other financial assets	Total
Obrascón Huarte Lain, Construcción Internacional, S.L.	906,055	-	906,055
Obrascón Huarte Lain Desarrollos, S.L.	202,225	-	202,225
OHL Andina, S.A.	19	122,613	122,632
OHL Industrial, S.L.	34,998	-	34,998
EyM Instalaciones, S.A.	34,197	-	34,197
OHL Servicios - Ingesán, S.A.U.	25,790	1	25,791
Tenedora de Participaciones Tecnológicas, S.A.	8,376	-	8,376
OHL Construction Pacific PTY Ltda.	-	5,380	5,380
Constructora e Inmobiliaria Huarte, Ltda.	-	5,078	5,078
OHL Concesiones Chile, S.A.	-	3,628	3,628
Agrupación Guinovart Obras y Servicios Hispania, S.A.	3,500	54	3,554
OHL Colombia, S.A.S.	2,247	141	2,388
Euroconcesiones, S.L.	2,324	-	2,324
OHL Arabia, LLC	1,110	2	1,112
OHL Uruguay, S.A.	878	133	1,011
Less than EUR 1,000 thousand	3,159	1,015	4,174
TOTAL	1,224,878	138,045	1,362,923

"Loans" includes financial contributions, interest and receivables due to tax effect.

Of particular note in 2018 were the additional contributions made to OHL Desarrollos, S.L. associated with the financing required for the performance of real estate projects abroad and the decrease recognised at OHL Construcción Internacional, S.L. resulting from the capital increase through the conversion of loans.

The average interest rate applied in 2018 to the financial contributions included under "Loans" was 4.21% (2017: 3.68%). The finance income arising from the financial contributions in 2018 amounted to EUR 60,232 thousand (2017: EUR 52,562 thousand).

The other balances included in "Other Financial Assets" and relating to the Company's normal operations did not earn interest.

9.3.3 Current investments in associates

The detail of "Current Investments in Associates" and the investments in the UTEs at 31 December 2018 and 2017, after proportionate consolidation of their balance sheets and the corresponding eliminations, is as follows:

2018

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	28,705	28,705
UTE Estaciones Metro Doha. Qatar	-	6,054	6,054
UTE Rizzani OHL (JV2). Kuwait	-	5,448	5,448
UTE Centro Botín. Spain	-	1,170	1,170
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	924	924
Consortio Rio Piura. Peru	-	855	855
Consortio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
Constructora Vespucio Oriente, S.A. Chile	678	-	678
UTE Bidasoa I. Spain	-	449	449
UTE Tuneles Cerro San Eduardo. Ecuador	384	-	384
Less than EUR 300 thousand	167	1,422	1,589
Total current investments in associates	1,916	45,027	46,943

In 2018 the financial contributions presented under "Loans" earned average interest of 4.42% (2017: 3.68%).

2017

Entity	Thousands of euros		
	Loans	Other financial assets	Total
UTE Hospital Sidra. Qatar	-	26,695	26,695
UTE Rizzani OHL (JV2). Kuwait	-	7,428	7,428
UTE Estaciones Metro Doha. Qatar	-	5,759	5,759
UTE Schofields Road Two. Australia	-	2,395	2,395
UTE Centro Botín Spain	-	1,133	1,133
Consortio Conpax OHL Valko, S.A. Chile	-	1,071	1,071
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	-	888	888
Consortio Español Alta Velocidad Meca Medina, S.A. Spain	687	-	687
UTE Túneles Cerro San Eduardo Guayaquil. Ecuador	595	-	595
UTE Bidasoa I. Spain	-	449	449
Less than EUR 300 thousand	377	1,590	1,967
Total current investments in associates	1,659	47,408	49,067

The other balances included in "Other Financial Assets" and relating to the Company's normal operations did not earn interest.

9.4 Risk management policy

Risk management, as a strategic objective of the Company, focuses on the implementation and maintenance of a reliable risk management system to be used as a management tool at all decision-making levels.

This system develops and implements a common set of processes, risk categories, and management tools and techniques in order to:

- Identify and manage risks at Company level.
- Implement integrated reporting, enabling the identification and follow-up of key risks.
- Align levels of risk tolerance with Group aims.
- Improve risk-related information and communications.
- Improve risk-response decisions
- Integrate risk management into the decision-making process.
- Reduce the Company's vulnerability to adverse events.
- Establish and maintain a culture of raising risk awareness.
- Increase the confidence and assurance of the Board of Directors and of stakeholders that material risks are being managed and communicated on a timely basis.

The framework of the Company's risk management process represents how the Group manages risk. Each functional area and division is responsible for adopting and applying the risk management framework and policies in accordance with the following principles:

- Risk management is included in the main business processes such as planning or operational processes to ensure consistent risk analysis in decision-making.
- The Company analyses and defines its ability to reduce, accept, share or avoid risks. This definition is aligned with and supports the Group's strategic and operational objectives and its declaration on risk tolerance.

- All the Company's risks are identified, prioritised and evaluated, based on risk assessments and potential exposure, by appropriate personnel in the organisation.
- Each functional area and division is responsible for adopting and following the Company' Risk Management System. The risks identified are analysed in all divisions and are added together to ensure the adoption of a coordinated response to the most common risks within the Group.
- Each functional area and division carries out periodic reviews of its risk listing in order to update the status of existing risks and to identify emerging risks.
- Each functional area and division supports a culture of transparency, awareness-raising and open dialogue on risk. The Company's Risk Management programme supports and helps facilitate regular debates on risk, corporate risk awareness and communication, and ongoing training on risk management.
- It is the responsibility of each division to proactively disseminate information on significant current or potential risks in a timely manner, and to ensure that risk management information is provided to the corresponding division management, the corporate risk management function or others as deemed appropriate.
- The OHL Group provides the necessary tools and resources to facilitate risk reporting, monitoring and measurement.

The OHL Group's risk management policy is reviewed annually to ensure that it remains in line with the interests of the Group and its stakeholders.

The OHL Group's Audit and Compliance Committee has the ultimate responsibility for ensuring that the commitments contained in the risk management policy are up to date and fulfilled on an ongoing basis.

9.4.1 Financial risk management

Financial risks are those that mainly affect the obtainment of necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant risks are as follows:

- Interest rate risk.
- Foreign currency risk.
- Credit risk.
- Liquidity risk.

Interest rate risk

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

The Company finances its operations using fixed- or floating-rate financial products and, based on estimates of the trend in interest rates and of debt structure targets, it either performs hedging transactions by arranging derivatives to mitigate these risks, also conducting a sensitivity analysis in this connection, or it arranges fixed-rate financing.

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2018, and bank borrowings tied to fixed interest rates, mainly debt associated with bond issues, represented 97.11%.

The sensitivity of the Company's earnings to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 99 thousand on the Company's pre-tax loss.

Foreign currency risk

Foreign currency risk management is centralised and various hedging mechanisms are applied to minimise the impact of the changes in foreign currencies against the euro.

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

The Company arranges currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets stemming from net investments in foreign branches with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign branches during the integration process.

Non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies in which the Company operates simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2018 and 2017. The net impact on profit or loss was as follows:

(Expense) / Income Currency	Thousands of euros	
	Profit / (Loss)	
	2018	2017
Norwegian krone	(3,567)	(1,667)
Algerian dinar	(517)	3,843
Kuwaiti dinar	(2,631)	(2,861)
US dollar	(4,590)	(5,337)
Argentine peso	(45)	21
Chilean peso	6,005	8,033
Mexican peso	(7,224)	(9,575)
Qatari riyal	(2,738)	30,670
Peruvian nuevo sol	(1,159)	3,685
Polish zloty	(79)	(95)
Total	(16,545)	26,717

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2018 and 2017, the net impact on profit or loss would be as follows:

(Expense) / Income Currency	Thousands of euros	
	Profit / (Loss)	
	2018	2017
Norwegian krone	3,243	1,515
Algerian dinar	470	(3,493)
Kuwaiti dinar	2,392	2,601
US dollar	4,173	4,851
Argentine peso	41	(19)
Chilean peso	(5,459)	(7,303)
Mexican peso	6,567	8,705
Qatari riyal	2,489	(27,882)
Peruvian nuevo sol	1,053	(3,350)
Polish zloty	71	87
Total	15,040	(24,288)

Credit risk

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Company has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Company obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or its own relationships with customers and third parties.

The Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas.

In all cases, customers are assessed prior to entering into contracts. This assessment includes a solvency study. Over the course of the contract term, changes in debt are monitored on a constant basis and the recoverable amounts are reviewed, and valuation adjustments are recognised whenever necessary.

Liquidity risk

This risk is managed by maintaining adequate levels of cash and marketable securities as well as by arranging and maintaining sufficient financing lines to cover all financing needs and to maintain at all times adequate levels of financial flexibility for the Company's activity.

In order to improve this liquidity position, the Company takes measures in relation to:

- Constant management of working capital, and in particular, active management of collections from customers in respect of trade and other receivables.
- Optimisation of the financial position through ongoing monitoring of cash projections.
- Management of the arrangement of financing lines in capital markets.

The repayment schedule at 31 December 2018, of which EUR 29,523 thousand matures in 2019, is presented by the Company in Note 18.1.

The Company's liquidity position at 31 December 2018 consisted of:

- Cash and cash equivalents amounting to EUR 495,852 thousand (see Note 15).
- Drawable credit lines and discount facilities amounting to EUR 324 thousand (see Note 18.1).

The multi-product syndicated financing (MSF) agreement dated 30 December 2016, which was amended and approved on 30 March 2017 and amended on 28 June 2017, 29 November 2017 and 22 February 2018, had an aggregate amount of EUR 684,000 thousand, for the issue of guarantees (EUR 402,000 thousand), reverse factoring (EUR 92,000 thousand) and a revolving credit line (EUR 190,000 thousand).

On 11 April 2018, a novation agreement was arranged under which certain essential terms and conditions of the agreement were amended, such as:

- 1) Authorisation for the sale of all of the shares of OHL Concesiones, S.A.U.;
- 2) Authorisation for the Company to use the total amount of the guarantees and reverse factoring facilities.
- 3) Placement of restricted deposits totalling EUR 372,000 thousand (EUR 280,000 thousand in securities for the bank guarantees and EUR 92,000 thousand in securities for reverse factoring), instead of the pledge of the ownership interest in OHL Concesiones, S.A.U.

Following the sale of all the ownership interest in OHL Concesiones, S.A.U. to IFM Global Infrastructure (IFM), which took place on 12 April 2018, the net funds arising from the sale were used to:

- i. Repay, in April 2018, substantially all of the bank borrowings totalling EUR 701,700 thousand (including the revolving line of credit from the MSF amounting to EUR 190,000 thousand).
- ii. Redeem, on 21 May 2018, bonds of EUR 228,249 thousand (25% of the outstanding total amount) in response to the exercise by the bondholders of the put option that they had held as a result of the sale of OHL Concesiones, S.A.U.
- iii. Distribute, on 6 June 2018, an interim dividend for 2018 of close to EUR 100,000 thousand (EUR 0.348981 per share).
- iv. Increase, with the remaining income from the sale, the cash and current financial assets balance, which at 31 December 2018 amounted to EUR 1,036,916 thousand.

Subsequently, the following novation of the multi-product syndicated financing agreement occurred:

1. Novation on 3 October 2018 in which the following was agreed:
 - Extend the maturity date to 31 March 2019.
 - Reduce and partially cancel 50% of the amount available under the guarantee facility, which amounted to EUR 351,556 thousand.
 - Reduce the restricted deposits placed in April 2018 (which totalled EUR 372,000 thousand) until the deposits account reaches EUR 140,000 thousand.
 - Cancel fully the reverse factoring facility, freeing up the funds held in escrow.
 - Maintain a minimum restricted amount in the deposits account of at least EUR 140,000 thousand from that date onwards.
 - Place a deposit of EUR 160,000 thousand in a reserve account available from the Company to provision the deposit account at any time and/or for any use other than those mentioned above, provided that it had the written consent of all the guarantors.

A new novation of the multi-product syndicated financing agreement was entered into on 28 March 2019 which extended the maturity date to 30 June 2019. The remaining conditions were not amended and the negotiations with financial institutions continued.

All the actions carried out by the Company were aimed at mitigating liquidity risk and, following the significant disposals in 2018, the Group's significant liquidity, with cash and current financial assets of EUR 1,036,916 thousand, guarantees the normal development of its operations.

10.- DERIVATIVE FINANCIAL INSTRUMENTS

In order to mitigate the economic effects of exchange rate fluctuations to which the Company is exposed as a result of its business activities, the Company uses derivative financial instruments, such as foreign currency hedges.

The arrangement of derivatives for speculative purposes is not allowed by the Company.

No collection risks are expected to arise in relation to the amounts that the banks have undertaken to pay to the Company in the future on the basis of the derivatives arranged, since the banks with which they were arranged are highly solvent.

The derivatives arranged by the Company are basically measured by discounting the future cash flows in accordance with the contractual and market conditions at the date of measurement.

The main criteria relating to derivatives are described in Note 4.7. Set forth below is a description of how the fair values of the derivatives arranged by the Company were accounted for at 31 December 2018 as other financial assets or liabilities, and of their impact, net of taxes, on equity.

Foreign currency derivatives

The Company arranges currency forwards in order to avoid the economic impact that exchange rate fluctuations might have on payment obligations and collection rights in foreign currencies.

The amount receivable in relation to the agreement entered into by OHL, S.A. and IFM Investors to sell all of the shares in OHL Concesiones, S.A.U. was affected, among other adjustments, by the changes in value of the euro against the Mexican peso and the euro against the Peruvian nuevo sol. In this connection, a series of currency forwards were arranged in December 2017 which, as a result of the completion of the sale agreement in 2018, were settled giving rise to a loss of EUR 92,255 thousand (see Note 9.2).

Following is a detail of the outstanding currency forwards at 31 December 2018, indicating, on the one hand, the nominal amounts in euros of the currency forwards, i.e. the amounts that the Company and the banks have agreed to exchange in euros for paying or receiving certain amounts in foreign currencies, classified by maturity, and, on the other, the fair values of the currency forwards, grouped together as other financial assets or liabilities, and their impact, net of taxes, on equity. Also indicated is the range of exchange rates and the nominal amounts in foreign currency arranged.

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Maturity		Fair value included in		Impact on profit or loss (net of tax effect)		
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the Company's discretion								
Future US dollar sales against euros	1,852	-	1,852	-	(74)	(55)	1.2146	2,250
Future US dollar purchases against euros	26,394	26,394	-	-	(347)	(260)	1.13003	29,826
Total	28,246	26,394	1,852	-	(421)	(315)	-	-

The sensitivity analysis of these foreign currency derivatives was carried out by simulating a 10% increase in the foreign currency per euro exchange rate with respect to the rates in force at 31 December 2018. The result of this analysis is as follows:

	Thousands of euros	
	2018	
	Fair value	Impact on equity
US dollar	(2,617)	(1,832)
Total	(2,617)	(1,832)

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2018, the impact would be as follows:

	Thousands of euros	
	2018	
	Fair value	Impact on equity
US dollar	2,262	1,583
Total	2,262	1,583

The detail of the currency forwards arranged at 31 December 2017 is as follows:

	Thousands of euros						Foreign currency per euro	Nominal amount in thousands of foreign currency (on arrangement date)
	Nominal amount (on arrangement date)	Maturity		Fair value included in		Impact on profit or loss (net of tax effect)	Range of exchange rates	
		Within three months	After three months	Asset derivatives	Liability derivatives			
Derivatives not considered as hedges for accounting purposes at the Company's discretion								
Future US dollar purchases against euros	49,001	49,001	-	-	(221)	(166)	1.1952 - 1.1965	58,596
Future Mexican peso sales against euros	800,000	800,000	-	38,271	-	28,703	22.9654 - 23.1955	18,444,618
Future Peruvian sol sales against euros	416,000	416,000	-	1,411	-	1,058	3.8986 - 3.9315	1,631,838
Future Norwegian krone purchases against euros	2,520	2,520	-	21	-	16	9.9215	25,000
Total	1,267,521	1,267,521	-	39,703	(221)	29,611		

The column "Impact on Profit or Loss (Net of Tax Effect)" includes the gains or losses net of tax corresponding to the measurement of the foreign currency derivatives outstanding at 31 December each year, the changes in which are recognised in the statement of profit or loss as they do not qualify for hedge accounting.

Interest rate derivatives

At 31 December 2018, the Company had not arranged any interest rate swaps.

11.- NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The detail of "Non-Current Assets Classified as Held for Sale" at 31 December 2018 and 2017 is as follows:

ASSETS	2018	2017
Ownership Interest:		
OHL Concesiones, S.A.U.	-	600,078
Total	-	600,078

On 12 April 2018, the sale and transfer of all the share capital of OHL Concesiones, S.A.U. to Global Infracore Silver Spain, S.L.U. (subsidiary of IFM Global Infrastructure Fund) was completed, which contributed to a significant reduction in borrowings and substantially improved liquidity.

The sale agreement placed the value of OHL Concesiones, S.A.U. at EUR 2,775,000 thousand net of project borrowings and, after taking into account the usual price adjustments in these transactions, net borrowings, exchange rate and cash contributed to greenfield projects, the selling price was set at EUR 2,158,040 thousand. The gain on the disposal was EUR 1,506,283 thousand (see Note 22.7). The disposal is subject to the usual clauses on compliance with obligations and assumption of liabilities by the parties.

The financial assets related to the investments in Cercanías Móstoles Navacarnero and Autopista Eje Aeropuerto (companies in liquidation) were excluded from the scope of the transactions since they will be transferred to OHL, S.A. at the net cost recognised by OHL Concesiones, S.A.U. Therefore, OHL, S.A. retains the right to receive any and all compensation for these liquidation processes (see Note 9.1).

Pursuant to Article 160.f) of the Spanish Limited Liability Companies Law, an Extraordinary General Meeting was called on 9 January 2018 and the transaction was approved.

Prior to the sale and transfer of the share capital of OHL Concesiones, S.A.U. to IFM Global Infrastructure Fund (IFM), on 10 April 2018, OHL Concesiones, S.A.U. resolved to pay an extraordinary dividend of EUR 567,637 thousand (see Note 23.1).

12.- INVENTORIES

The detail of "Inventories" at 31 December 2018 and 2017 is as follows:

2018

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	19,507	(494)	19,013
Auxiliary shop projects and site installations	18,294	-	18,294
Advances to suppliers and subcontractors	14,480	-	14,480
Total inventories	56,281	(494)	55,787

2017

	Thousands of euros		
	Gross balance	Impairment losses	Net balance
Raw materials and other supplies	19,043	(494)	18,549
Auxiliary shop projects and site installations	18,244	-	18,244
Advances to suppliers and subcontractors	25,664	-	25,664
Total inventories	62,951	(494)	62,457

At 31 December 2018, EUR 25,803 thousand of the total net balance of "Inventories" relate to UTEs (31 December 2017: EUR 39,232 thousand).

There are no significant purchase commitments related to the advances to suppliers and subcontractors.

There are no indications of impairment at the Company other than those recognised by the Company in previous years, which amounted to EUR 494 thousand.

13.- TRADE RECEIVABLES FOR SALES AND SERVICES AND CUSTOMER ADVANCES

The detail of "Trade Receivables for Sales and Services" and "Customer Advances" at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Trade receivables for sales and services:		
Amounts to be billed for work or services performed	135,697	604,426
Progress billings	166,428	172,287
Trade notes receivable	4,617	2,195
Retentions	39,312	32,047
Subtotal	346,054	810,955
Provisions	(58,236)	(262,888)
Total net of provisions	287,818	548,067
Customer advances	(259,961)	(182,100)
Total, net	27,857	365,967

In 2018 EUR 15,614 thousand of trade bills corresponding to this balance sheet heading were traded at banks (2017: EUR 35,667 thousand).

At 31 December 2018, the balance of trade receivables was net of EUR 34,243 thousand (31 December 2017: EUR 18,400 thousand) relating to the accounts receivable from customers factored to banks. Since these factoring arrangements are without recourse in the event of non-payment, they are treated as a reduction of trade receivables.

At 31 December 2018, EUR (37,476) thousand of the net balance of "Trade Receivables for Sales and Services" and "Customer Advances" relate to UTEs (31 December 2017: EUR 120,913 thousand).

Most of the balances of retentions are recovered, as is standard practice, at completion and delivery of the work/projects.

The detail of "Trade Receivables for Sales and Services", by type of customer, is as follows:

Type of customer	Thousands of euros	
	2018	2017
Spain:	166,458	246,213
Public sector:	47,487	72,451
Central government	7,638	7,231
Autonomous community government	21,323	29,065
Local government	3,716	3,142
Other agencies	14,810	33,013
Private sector	118,971	173,762
Abroad:	179,596	564,742
Public sector	125,023	197,631
Private sector	54,573	367,111
Total	346,054	810,955

At 31 December 2018, 49% (EUR 172,510 thousand) of the balance of "Trade Receivables for Sales and Services" related to the public sector and 51% (EUR 173,544 thousand) to the private sector (31 December 2017: 33% and 67%, respectively).

Of the balance of "Progress Billings Receivable" and "Trade Notes Receivable", totalling EUR 171,045 thousand at 31 December 2018 (31 December 2017: EUR 174,482 thousand), 46% (EUR 79,473 thousand) relates to the public sector and 54% (EUR 91,572 thousand) to the private sector (31 December 2017: 52% and 48%, respectively).

The detail of the aging of these balances at 31 December 2018 is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0–90 days	47,493	20,782	68,275
91–180 days	7,261	6,730	13,991
181–360 days	10,837	191	11,028
More than 360 days	13,882	63,869	77,751
Total	79,473	91,572	171,045

The detail of the aging of these balances at 31 December 2017 is as follows:

	Thousands of euros		
	Type of customer		
	Public	Private	Total
0–90 days	50,924	14,041	64,965
91–180 days	4,701	3,775	8,476
181–360 days	14,897	1,112	16,009
More than 360 days	19,898	65,134	85,032
Total	90,420	84,062	174,482

"Trade Receivables for Sales and Services – Amounts to Be Billed for Work or Services Performed" includes both the balances relating to delays in billing work performed and the balances relating to work performed the billing of which the Company considers to be highly probable.

Consequently, the Company does not recognise amounts that are subject to a dispute or claim against a customer. However, the Company continues to take the actions that it deems necessary to claim the amounts to which it considers that it is entitled.

The changes in the balances with respect to 2017 relate primarily to the effect of the Company's regular reviews of its estimated results, for which it takes into account the changes in construction projects and negotiations with its various customers.

The Company under no circumstances recognises claims made against customers as revenue until they are approved.

The changes in provisions in 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Beginning balance	(262,888)	(277,816)
Provisions recognised	(34)	-
Provisions used	204,686	14,928
Ending balance	(58,236)	(262,888)

As a result of the aforementioned result reviews, the Company used the allowance for doubtful debts relating to the Sidra Medical and Research Center (Qatar), which amounted to EUR 204,680 thousand (see Note 22.4). At 31 December 2018, the balance of provisions amounted to EUR 58,236 thousand and related in full to doubtful receivables associated with unpaid progress billings (31 December 2017: EUR 58,208 thousand).

To determine the amount of these allowances for doubtful debts, estimates are made taking into account any failure to meet contractual payment obligations and the probability of default, analysing each contract and each customer.

Other supplementary information on construction contracts and other contracts under which the related revenue and costs are recognised by reference to the stage of completion.

Contract revenue associated with construction contracts and certain services contracts is recognised by reference to the stage of completion in accordance with the criteria established in Note 4.11.

As indicated in that Note, the difference between the revenue recognised and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade and Other Receivables - Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed", whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Trade and Other Payables - Customer Advances - Amounts Billed in Advance for Construction Work".

Also, in certain construction contracts advances are agreed upon that are paid by the customer when work commences on the contract, the balance of which is offset against the various progress billings as the contract work is performed. This balance is recognised under "Trade and Other Payables" on the liability side of the balance sheet.

Also, in certain contracts the customer retains a portion of the price to be paid in each progress billing to guarantee the satisfaction of certain obligations under the contract. These retentions are not reimbursed until the contract is definitively settled. These balances are recognised under "Trade and Other Receivables" on the asset side of the balance sheet.

The detail of the amounts recognised in this connection at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	2018	2017	Difference	% change
Amounts to be billed for work performed, net	135,697	399,746	(264,049)	(66.05)%
Customer advances	(259,961)	(182,100)	(77,861)	42.76%
Construction contracts, net	(124,264)	217,646	(341,910)	(157.09)%
Retentions	39,312	32,047	7,265	22.67%
Net advances and retentions	(84,952)	249,693	(334,645)	(134.02)%

14.- TRADE RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATES

14.1 Trade receivables from Group companies

The detail, by company, of "Trade Receivables from Group Companies" at 31 December 2018 and 2017 is as follows:

Company	Thousands of euros	
	2018	2017
Constructora de Proyectos Viales de México, S.A. de C.V.	16,214	6,970
Sociedad Concesionaria Aguas Navarra, S.A.	6,118	3,924
OHL Construction Canada, Inc.	5,385	3,449
OHL Arabia, LLC	5,353	1,725
OHL USA, Inc.	4,535	980
EYM Instalaciones, S.A.	3,205	183
Consorcio Instalaciones Mecánicas Hospital Dr. Gustavo Fricke, SpA	2,912	3,630
OHL Industrial, S.L.	1,186	1,917
Autopista del Norte, S.A.C.	-	71,238
OHL Concesiones, S.A.U.	-	3,456
Terminal Cerros de Valparaíso, S.A.	-	616
Sociedad Concesionaria Nuevo Camino Nogales Puch, S.A.C.	-	418
Sociedad Concesionaria Puente Industrial, S.A.	-	208
Less than EUR 1,000 thousand in both years	5,059	9,051
	49,967	107,765

The main changes are due to the transfer of the balances receivable from OHL Concesiones, S.A.U. and subsidiaries to non-Group receivables as a result of the sale of all the share capital of that company, as well as the effect of the Company's regular review of its estimated results, for which it takes into account the changes in construction projects and negotiations with its various customers.

The foregoing balances do not earn interest.

14.2 Trade receivables from associates

"Trade Receivables from Associates" includes the trade receivables from associates and the trade receivables at 31 December 2018 and 2017 resulting from the UTEs, after the proportionate consolidation of their balance sheets and the related eliminations.

The detail of "Trade Receivables from Associates" is as follows:

Company	Thousands of euros	
	2018	2017
Centro Canalejas Madrid, S.L. Spain	12,712	5,096
Consortio Muna. Peru	5,128	7,806
Nuevo Hospital de Toledo, S.A. Spain	1,737	4,896
Whitehall Residences Limited. UK	1,703	-
UTE Rizzani OHL Boodai Trevi (JV4). Kuwait	1,489	7,920
UTE Ayacucho Kishuara. Peru	-	1,651
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	7,231
Autovía de Aragón-Tramo 1, S.A. Spain	-	7,965
Less than EUR 1,000 thousand in both years	627	143
Total trade receivables from associates	23,396	42,708

The main changes are due to the transfer of the balances receivable from OHL Concesiones, S.A.U.'s subsidiary concession operators to non-Group receivables as a result of the sale of all the share capital of that company, as well as the effect of the Company's regular review of its estimated results, for which it takes into account the changes in construction projects and negotiations with its various customers.

The foregoing balances do not earn interest.

15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" relates to the Company's fully liquid assets and includes cash on hand and at banks and short-term bank deposits with an original maturity of three months or less. At 31 December 2018, EUR 108,161 thousand of the total balance of "Cash and Cash Equivalents" relate to UTEs (31 December 2017: EUR 98,213 thousand).

These balances are not restricted as to their use and are not subject to a risk of changes in value.

16.- EQUITY AND SHAREHOLDERS' EQUITY

16.1 Share capital

The changes in the share capital of the Company in 2018 and 2017 were as follows:

	No. of shares	Thousands of euros
Number of shares and par value of the share capital at 1 January 2017	298,758,998	179,255
Number of shares and par value of the share capital at 31 December 2017	298,758,998	179,255
Capital reduction in February 2018	(12,210,709)	(7,326)
Number of shares and par value of the share capital at 31 December 2018	286,548,289	171,929

On 6 February 2018, the public deed was filed at the Madrid Mercantile Registry recording the capital reduction approved by the shareholders at the Extraordinary General Meeting, by which the Company's share capital was reduced by EUR 7,326,425.40 through the retirement of 12,210,709 treasury shares of EUR 0.60 par value each, representing a total of 4.087% of the share capital.

The capital reduction was charged to unrestricted reserves and did not give rise to a reimbursement of shareholder contributions. The Company allocated to a reserve an amount equal to the par value of the retired shares (EUR 7,326,425.40), use of which will be subject to the same requirements as those required for a capital reduction under the provisions of the Spanish Limited Liability Companies Law and, consequently, the Company's creditors will not be entitled to object to the capital reduction.

Following this reduction the Company's share capital amounted to EUR 171,928,973.40, represented by 286,548,289 fully subscribed and paid bearer shares of EUR 0.60 par value each.

The shares representing the share capital of Obrascón Huarte Lain, S. A. are listed on the Madrid and Barcelona stock exchanges and are traded on the Spanish Stock Market Interconnection System.

The detail of the companies with a direct or indirect ownership interest of 3% or more in the share capital of the Company at 31 December 2018 is as follows:

Company	% of ownership
Inmobiliaria Espacio, S.A.	38.322
Deutsche Bank, A.G.	4.243

16.2 Legal reserve

Under the Spanish Limited Liability Companies Law, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

Until the legal reserve exceeds the indicated limit, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

16.3 Share premium

The Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

16.4 Other reserves

At 31 December 2018, "Other Reserves" included voluntary reserves amounting to EUR 15,197 thousand, the reserve for retired capital amounting to EUR 11,182 thousand and the reserve for the adjustment of share capital to euros amounting to EUR 91 thousand.

The reserve for retired capital is the result of the capital reductions carried out through the retirement of treasury shares in 2006, 2009 and 2018 and was set up pursuant to current legislation safeguarding the guarantee provided by equity vis-à-vis third parties. This reserve is restricted as to its use and may only be used if the same requirements as those stipulated for capital reductions are met, i.e. the shareholders at the Annual General Meeting must decide on its use.

16.5 Limitations on the distribution of dividends

Until the balance of development expenditure has been fully amortised, no dividends may be distributed unless the unrestricted reserves are at least equal to the amount of the unamortised balances of this heading. Consequently, at the end of 2018 EUR 4,702 thousand of the Company's "Share Premium" and "Other Reserves" were restricted (see Note 5).

On 6 June 2018, the Company paid an interim dividend out of profit for 2018 amounting to EUR 99,867 thousand (EUR 0.348981 per share).

16.6 Treasury shares

At the end of 2018 the Company held 511,811 treasury shares with a total value of EUR 370 thousand.

The changes in treasury shares in 2018 and 2017 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2016	11,961,801	46,145
Purchases	16,100,595	63,937
Sales and deliveries	(15,530,457)	(61,444)
Balance at 31 December 2017	12,531,939	48,638
Purchases	24,897,366	65,592
Sales	(24,706,785)	(66,840)
Amount retired due to capital reduction	(12,210,709)	(47,020)
Balance at 31 December 2018	511,811	370

16.7 Grants

The information on the grants received by the Company in 2018 and 2017, which form part of equity, and on the amounts taken to income in this connection is as follows:

2018

Grantor	Private sector/Level of government	Thousands of euros				
		Beginning balance	Increase	Amount taken to income	Refunds	Ending balance
Spanish Centre for Industrial Technological Development	National government	867	-	(365)	-	502
Madrid Development Institute	Local government	18	-	(13)	-	5
European Commission	Other agencies	673	69	(87)	-	655
Extremadura Autonomous Community Government	Local government	98	-	(20)	-	78
Tax effect		(414)	(17)	121	-	(310)
Total grants		1,242	52	(364)	-	930

2017

Grantor	Private sector/Level of government	Thousands of euros				
		Beginning balance	Increase	Amount taken to income	Refunds	Ending balance
Spanish Centre for Industrial Technological Development	National government	857	398	(388)	-	867
Madrid Development Institute	Local government	31	-	(13)	-	18
European Commission	Other agencies	525	205	(7)	(50)	673
Extremadura Autonomous Community Government	Local government	100	-	(2)	-	98
Tax effect		(378)	(150)	102	12	(414)
Total grants		1,135	453	(308)	(38)	1,242

At the end of 2018 and 2017 the Company had met all the requirements for receiving and using the aforementioned grants.

17.- PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

17.1 Provisions

The detail of the provisions in the balance sheets as at 31 December 2018 and 2017 is as follows:

Long-term provisions	Thousands of euros			
	Balance at 31 December 2017	Increase	Decrease	Balance at 31 December 2018
Provisions for taxes	9,663	-	(5,204)	4,459
Provisions for investees	9,687	248,776	-	258,463
Total long-term provisions	19,350	248,776	(5,204)	262,922

The provisions for investees include the amount of the losses of Group companies and associates from the date at which their carrying amount was equal to zero, as described in Appendix II. The increases in these provisions are recognised under "Other Current Operating Expenses" in the statement of profit or loss (see Note 22.5).

The main increases relate to OHL Construcción Internacional, S.L. OHL Industrial, S.L. and Construcciones Colombianas OHL, S.A.S. and amounted to EUR 148,461 thousand, EUR 73,615 thousand and EUR 23,365 thousand, respectively (see Note 22.5).

Short-term provisions	Thousands of euros			
	Balance at 31 December 2017	Increase	Decrease	Balance at 31 December 2018
Termination benefits	5,963	12,700	(12,294)	6,369
Project completion	24,671	14,032	(7,783)	30,920
Provisions for management and other fees	6,174	-	(2,180)	3,994
Other provisions	85,810	3,620	(26,180)	63,250
Total short-term provisions	122,618	30,352	(48,437)	104,533

Of the total short-term provisions at 31 December 2018, EUR 36,506 thousand related to UTEs (31 December 2017: EUR 47,559 thousand).

"Other Provisions" includes amounts relating to various items such as guarantees and deposits, insurance, taxes, third-party liability and others, corresponding to numerous contracts.

17.2 Contingent assets

There were no contingent assets at 31 December 2018.

17.3 Contingent liabilities

17.3.1. Guarantee commitments to third parties

At 31 December 2018, the Company had provided guarantees totalling EUR 3,331,337 thousand (31 December 2017: EUR 3,691,258 thousand), the detail being as follows:

Type	Thousands of euros	
	2018	2017
Completion bonds and guarantees for project bids	1,743,035	1,921,129
Definitive guarantees	1,671,083	1,849,233
Provisional guarantees	71,952	71,896
Personal guarantees	1,588,302	1,770,129
Total	3,331,337	3,691,258

Completion bonds and guarantees for project bids were provided, as is standard practice in the industry, to guarantee the proper performance of construction and project contracts (definitive guarantees), and as guarantees for construction project bids (provisional guarantees).

The joint and several personal guarantees secure various transactions and are provided mainly to banks.

The detail of the guarantees by type of entity at 31 December 2018 and 2017 is as follows:

2018		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		862,072	55
Group companies		744,403	1,586,039
Associates		136,560	2,208
Total		1,743,035	1,588,302

2017		Thousands of euros	
Secured entity		Completion bonds and guarantees for project bids	Personal guarantees
Obrascón Huarte Lain, S.A.		800,911	56
Group companies		912,758	1,716,398
Associates		207,460	53,675
Total		1,921,129	1,770,129

The Company also has secondary liability for the obligations of the subcontractors to the social security system with respect to their site employees.

The Company's directors do not expect any additional liabilities to arise in connection with these guarantees that might affect the 2018 financial statements.

17.3.2. Litigation

At the end of 2018 the Company was involved in certain ongoing proceedings that arose in the ordinary course of its operations.

The most significant lawsuits relating to the Construction Division are as follows:

- In 2014 the Company reported that, in relation to the Sidra Medical and Research Center design and construction contract (Doha, Qatar), Qatar Foundation for Education, Science and Community Development (QF) and the joint venture (JV) between the Company and Contrack Cyprus Ltd. (55% and 45%, respectively) had initiated arbitration proceedings on 30 July 2014 at the International Chamber of Commerce.

On 21 November 2018, a partial award was handed down with certain rulings, including the statement on the legality of the termination of the contract. This statement enables QF to file a claim for the actual costs of completion of the work that exceed the contract price yet to be applied. The JV filed an appeal with the UK courts for the partial annulment of this award with regard to the legality of the termination of the contract. If the appeal filed by the JV is upheld, the statement on the legality of the termination will be rendered null and void and a new decision will have to be issued. . QF's ability to claim these termination costs will depend on this new decision. However, the proceedings were still under way at the date of preparation of these financial statements and, on 27 February 2019, another partial award was handed down to determine the percentage of work completed at the time of termination, which determined that approximately 95% of the work had been completed at the time of termination.

In this context and on the basis of the aforementioned court decision, the parties' counter claims are as follows: the JV claims reimbursement of the amount of the enforced guarantees (QAR 880 million, EUR 210 million), the amount of the unpaid alterations made that were already recognised in the partial award (QAR 182 million, EUR 43 million), the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 76 million, EUR 18 million), the construction prolongation costs in line with the prolongation period recognised in the partial award (QAR 322 million, EUR 77 million), and compensation for disruption costs (QAR 67 million, EUR 16 million); QF claims termination costs in excess of the outstanding contract price to be applied (QAR 3,636 million, EUR 869 million), defect repair costs (QAR 320 million, EUR 76 million) and contractual penalties for delay (QAR 792 million, EUR 189 million).

The aforementioned amounts relate to claims made by the parties, and in all cases (except the case described below), both the legitimacy and the amounts of the items included in each claim are subject to the decision of the arbitral tribunal, which will be handed down during the quantum stage of the arbitration proceedings. The aforementioned decision will not affect the following: (i) the amount of the guarantee enforced against the JV (QAR 880 million, EUR 210 million), which is fixed and in all cases functions as a collection right in the JV's favour, and (ii) the amount of the unpaid alterations made for which no arbitration decision has been handed down (QAR 182 million, EUR 43 million), which is also fixed and functions as a collection right in the JV's favour.

In this context, based on third-party reports and the interpretation thereof by the Company's legal advisory team, the Company's directors have assessed the various scenarios that may arise from the aforementioned legal proceeding and considered when a decision may be handed down in this connection. Based on the foregoing and taking into account the current situation of the proceeding and the possible decisions that may be handed down, the directors concluded that a loss was not likely to occur for the Company at 31 December 2018 and, therefore, no provision was recognised in this connection.

- On 7 February 2017, Rizzani de Eccher, SpA, Trevi, SpA and Obrascon Huarte Lain, S.A. initiated an arbitration proceeding to protect an investment against the State of Kuwait at the International Centre for Settlement of Investment Disputes (ICSID) in relation to the "Construction, Completion and Maintenance of Roads, Overpasses, Sanitary and Storm Water Drains, as well as other Services for Jamal Abdul Nasser Street" agreement. OHL holds a 50% ownership interest in the construction joint venture. This arbitration proceeding was initiated under the international treaties for the reciprocal protection of investments entered into by the State of Kuwait with Spain and Italy and as a result of the breach thereof by the State of Kuwait through its obstructive, abusive and arbitrary actions, to the detriment of the foreign investors, in the performance of that agreement.

The joint venture submitted its claim quantifying the economic compensation to which the claimants are entitled in KWD 81,716,760 (EUR 231.5 million) or, alternatively, KWD 67.676.108 (EUR 191.7 million), based on the assessment performed by external consultants. The State of Kuwait answered the claim and submitted a counterclaim quantified at KWD 26 million (EUR 74 million).

- On 13 December 2017, Samsung C&T Corporation, Obrascon Huarte Lain, S.A. and Qatar Building Company filed a request for arbitration at the International Chamber of Commerce against Qatar Railways Company. The claim arose from the “Design & Build Package 5 - Major Stations - Doha Metro Project” agreement. OHL holds a 30% ownership interest in the construction joint venture. The joint venture claims an amount initially estimated at QAR 1,500 million (EUR 358.5 million). Qatar Rail answered the claim and submitted an initial counterclaim, quantified at QAR 1,000 million (EUR 239.0 million).
- The Polish courts granted leave for consideration to the claim brought by Obrascon Huarte Lain, S.A. against the Polish company PGB, S.A. in which OHL sought PLN 191,518,336 (EUR 43.61 million) from PGB as a result of the liability of PGB as member of the construction consortium for the **Ślowacckiego IV** project in Gdansk, Poland. The proceeding continues at the preliminary phase.

The most significant lawsuits relating to financial investments in companies in liquidation are:

- In June 2008 and 2009 the concession operator Autopista Eje Aeropuerto Concesionaria Española, S.A.U. (Eje Aeropuerto) filed two claims (the latter refiled on 31 July 2013) against the Spanish Ministry of Public Works requesting that the economic feasibility of the concession be restored and that the concession arrangement be rendered null and void with the reimbursement of the amounts invested, respectively.

In order to compensate for the shortfall in traffic and the compulsory purchase cost overruns, in 2012, 2013, 2014, 2015, 2016 and 2017 the company claimed from the Ministry the approval and payment of the amounts earmarked in the compensation account and approval of the annual participating loans pursuant to Additional Provision Eight of Law 43/2010. All the claims have been rejected by the corresponding courts.

Also, at the reporting date a decision had yet to be handed down on the appeal filed by the concession operator in June 2014 at the Supreme Court against the alleged dismissals of the request for compensation filed by the concession operator for the performance of additional works.

Also, in relation to the insolvency proceeding involving Autopista Eje Aeropuerto Concesionaria Española, S.A.U. and Aeropistas, S.L.U.:

a) Petition for initiation of insolvency proceedings

Autopista Eje Aeropuerto Concesionaria Española, S.A.U. was declared to be legally involved in an insolvency proceeding together with its sole shareholder, Aeropistas, S.L.U. in the court order of 12 December 2013 of the Madrid Commercial Court No. 2, which gave rise to the orders of Voluntary Insolvency Proceeding 863/13.

b) The common phase of the insolvency proceeding

On 19 May 2015, the insolvency managers submitted the lists of creditors in the final reports. With respect to Eje Aeropuerto, there were no changes to the inventory of assets and rights of the concession operator, and the total value remained at EUR 412.6 million, of which intangible assets accounted for EUR 396.1 million. Neither were amendments made to the list of creditors in the final reports or the inventory of assets and rights in the case of Aeropistas, with assets totalling EUR 336.6 million, comprising mainly investments in Group companies and equity instruments.

On 31 July 2015, an order was issued to end the common phase and open the phase of arrangement, as both SEITTSA and the insolvent companies had submitted arrangement proposals.

c) Opening and processing of the liquidation phase

The court order of 13 October 2015 rejected the arrangement proposals submitted and, consequently, ordered the commencement of the liquidation phase, with the legal effects that this entails, including, among others, and in accordance with case law of the Supreme Court's Chamber for Jurisdictional Conflicts, the termination of the concession arrangement.

Lastly, with respect to the termination of the concession arrangement, the Ministry of Public Works terminated this arrangement on 14 July 2018, as a preliminary formality to the settlement of the arrangement. At the date of preparation of these financial statements, the Company had not yet received notification of the related economic settlement.

In parallel, the proceeding related to appeal for judicial review 210/2018 commenced at the Supreme Court. This appeal has no fixed amount, and will only contend whether the date of termination of the arrangement must be the date of the liquidation order (13/10/15) and whether, in this case, the State had three months from that date to settle the arrangement and, therefore, owes late-payment interest from then, as well as what the applicable interest rate would be.

In this context, and with respect to the termination of the liquidation process of the investees, the Company's directors consider that in a base-case resolution scenario, which is inferior to the scenario requested by the companies' insolvency managers, the net investment recognised (EUR 19 million) would be recovered.

- The Concession operator Cercanías Móstoles Navacarnero, S.A.: on 12 July 2016, Madrid Commercial Court No. 1 issued an interlocutory order granting permission to proceed in relation to the insolvency petition filed by the operator and declared the voluntary insolvency thereof.

On 16 August 2016, the initiation of the ordinary voluntary insolvency proceedings of Cercanías Móstoles Navacarnero, S.A. was published in the Spanish Official State Gazette.

On 15 March 2017, Madrid Commercial Court no. 1 ordered the liquidation of Cercanías Móstoles Navacarnero, S.A., opening the liquidation phase, declaring the dissolution of the company, the removal of its directors and their substitution by the insolvency managers.

Lastly, on 2 November 2017, Madrid Commercial Court no. 1 approved the company's liquidation plan within the aforementioned insolvency proceeding, which meant the continuation of the legal actions making it possible for the company to recover the Government Liability (RPA), as well as such items admissible under law, and the filing of such new appeals as required with the same purpose.

On 20 June 2017, as a result of the imposition of the penalty on the company, the Autonomous Community Government of Madrid enforced the guarantees that OHL, S.A. and OHL Concesiones, S.A.U. had provided to secure performance of their obligations under that company's concession arrangement. The enforced guarantees amounted to EUR 15,869,300.60 (EUR 12,696,240.48 from Banco Popular Español, S.A. and EUR 3,173,060.12 from Abanca Corporación Bancaria, S.A.). On 7 July 2017, subsequent to filing an appeal for judicial review, the High Court of Madrid resolved to stay the court proceeding due to a preliminary point of law until a decision had been handed down on the appeal for judicial review filed by the company requesting the termination of the concession arrangement.

Also, on 21 July 2017 the concession operator was notified of the order issued by the Autonomous Community of Madrid's Regional Minister for Transport, Housing and Infrastructure declaring the termination of the concession arrangement, the attachment of the guarantee and the obligation to pay compensation for damage and losses to the grantor for an amount to be determined in the corresponding adversarial procedure. The company lodged an administrative appeal against this order, which was dismissed by the Autonomous Community Government of Madrid on 10 October 2017 and, accordingly, on 5 December 2017 the company filed an appeal for judicial review against this decision. On 27 July 2018, the Autonomous Community Government of Madrid initiated a proceeding against Cemonasa to claim damages of EUR 355 million. This case was subject to an appeal for judicial review in which the holding in abeyance of the administrative decision was requested. The Chamber admitted the stay of enforcement on condition that Cemonasa provide a guarantee amounting to EUR 212 million. This most recent decision has yet to be appealed.

On 8 March 2018, the Madrid High Court handed down a judgment on the appeal for judicial review whereby Cercanías Móstoles Navacarnero, S.A. applied for the termination of the concession arrangement on grounds attributable to the Autonomous Community Government of Madrid. The judgment ruled against Cercanías Móstoles Navacarnero, S.A. and, therefore, a cassation appeal was filed at the Supreme Court, which was granted leave for consideration on 25 April 2018.

Also, on 21 March 2018 the company's insolvency managers filed, in accordance with the approved liquidation plan, an appeal for judicial review against the Autonomous Community Government of Madrid at the Madrid High Court, in which it applied for the economic settlement of the arrangement since they considered it to be terminated on commencement of the liquidation phase of the insolvency proceeding.

Lastly, as a result of the contract termination described above, the Autonomous Community Government of Madrid notified the company of the economic settlement of the arrangement on 20 August 2018, totalling EUR 123 million, to be paid to Cemonasa. The company is currently appealing this settlement in the administrative jurisdiction since it considers the amount to be insufficient.

In line with the situation described above, the Company considers that, based on opinions of its internal and external legal advisers, the concession arrangement supports the right to recover the net investments and the amounts contributed in the form of a loan to the company, with respect to which no provisions have been recognised and that the claim for damage and losses filed by the Autonomous Community Government of Madrid against the concession operator will be unsuccessful.

In addition to the aforementioned litigation, the Company is involved in other minor lawsuits arising from the ordinary course of its operations, none of which are for a significant individual amount.

The Company's directors do not expect any significant additional liabilities to arise in connection with the litigation in progress that might affect the financial statements for 2018.

17.3.3. Other contingent liabilities

The contingent liabilities include the normal liability of construction companies for the performance and completion of construction contracts they have entered into, as well as those entered into by UTEs in which they have interests. There is also a secondary liability for the obligations of the Group's subcontractors to the social security system with respect to their site employees. No losses are expected to arise for the Company in this connection.

18.- NON-CURRENT AND CURRENT PAYABLES

18.1 Financial liabilities

The detail of "Non-Current Payables" at 31 December 2018 and 2017 is as follows:

2018

Category	Thousands of euros				
	Non-current financial instruments				
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Other financial liabilities	Total
Accounts payable	659,298	1,521	-	1,170	661,989
Total non-current payables	659,298	1,521	-	1,170	661,989

2017

Category	Thousands of euros				
	Non-current financial instruments				
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Other financial liabilities	Total
Accounts payable	883,385	4,926	-	1,512	889,823
Total non-current payables	883,385	4,926	-	1,512	889,823

At 31 December 2018, all the "Non-Current Payables" related to the Parent.

"Non-Current Payables - Debt Instruments and Other Marketable Securities" and "Current Payables - Debt Instruments and Other Marketable Securities" include the outstanding principal and accrued interest at 31 December 2018 of the following long-term bond issues launched in Europe.

- Issue launched in March 2012 for an initial nominal amount of EUR 300,000 thousand, maturing in 2020. The annual interest rate was 7.625%.
- Issue launched in March 2014 for an initial nominal amount of EUR 400,000 thousand, maturing in 2022. The initial interest rate was 4.75%.
- Issue launched in March 2015 for an initial nominal amount of EUR 325,000 thousand, maturing in March 2023 and bearing interest at a fixed rate of 5.50%.

The amounts (including unmatured accrued interest) and maturities of the bond issues at 31 December 2018 and 2017 were as follows:

	Thousands of euros		Year of final maturity	Issue currency	Market price (31/12/18)
	2018	2017			
2012 issue	74,699	190,144	2020	Euros	75.601%
2014 issue	324,453	395,126	2022	Euros	54.990%
2015 issue	270,581	312,761	2023	Euros	54.899%
Total	669,733	898,031			

As a result of the sale of OHL Concesiones, S.A.U. to IFM in April 2018, and on the basis of the bondholders' right to exercise a sale option triggered by this sale, the Company used the liquidity it obtained to carry out a partial bond repurchase amounting to EUR 228,249 thousand (25% of the outstanding bond issues), the breakdown by issue of which is as follows:

- Bonds issued in 2012 for a nominal amount of EUR 113,774 thousand, at a purchase price of EUR 114,911 thousand, giving rise to a loss before costs of EUR 1,137 thousand.
- Bonds issued in 2014 for a nominal amount of EUR 71,481 thousand, at a purchase price of EUR 72,196 thousand, giving rise to a loss before costs of EUR 715 thousand.
- Bonds issued in 2015 for a nominal amount of EUR 42,994 thousand, at a purchase price of EUR 43,424 thousand, giving rise to a loss before costs of EUR 430 thousand.

These results net of costs are recognised in the statement of profit or loss under "Impairment and Gains or Losses on Disposals of Financial Instruments - Gains or Losses on Disposals and Other" (see Note 22.7). In accordance with the terms of the issues, the repurchased bonds were retired.

The average interest rate accrued in 2018 on the bond issues was 5.48% (2017: 5.67%).

The Company has certain financial commitments in relation to the 2012, 2014 and 2015 issues. The Company's directors, on the basis of the advice received, consider that all these commitments envisaged in the financing agreements were being met at the end of the year.

Obrascón Huarte Lain, S.A.'s bond issues include a sale option clause for the bondholders in the event of a third-party takeover of the Company.

The detail of "Current Payables" at 31 December 2018 and 2017 is as follows:

2018

Category	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	14,132	8,930	-	421	6,040	29,523
Total current payables	14,132	8,930	-	421	6,040	29,523

2017

Category	Thousands of euros					
	Current financial instruments					
	Debt instruments and other marketable securities	Bank borrowings	Obligations under finance leases	Derivatives	Other financial liabilities	Total
Accounts payable	21,341	592,842	9	221	7,360	621,773
Total current payables	21,341	592,842	9	221	7,360	621,773

EUR 2,489 thousand of total current payables related to UTEs at 31 December 2018 (31 December 2017: EUR 1,706 thousand).

At 31 December 2017, the Company had a commercial paper issue facility of up to EUR 500,000 thousand that was redeemed in May 2018. Up to that date, notes totalling EUR 758,216 thousand had been issued under this programme, and the outstanding balance at 31 December 2018 totalled EUR 3,697 thousand. The average interest rate on the note issue was 0.89% in 2018.

At 31 December 2018, bank borrowings totalled EUR 8,930 thousand (31 December 2017: EUR 592,842 thousand).

This decrease relates mainly to the repayment of the syndicated loan amounting to EUR 250,000 thousand, which was drawn down in full at 31 December 2018, and is a direct consequence of the liquidity obtained in the sale of the ownership interest in OHL Concesiones, S.A.U., which also allowed the Company to repay other credit facilities, including a facility of EUR 190,000 thousand that was part of the multi-product syndicated financing agreement entered into on 30 March 2017, and to redeem bonds amounting to EUR 228,249 thousand early, which gave rise to a significant reduction in indebtedness.

The detail, by maturity, of “Non-Current Payables” and “Current Payables” is as follows:

	Thousands of euros						
	2019	2020	2021	2022	2023	Other	Total
Debt instruments and other marketable securities	14,132	73,068	-	319,978	266,252	-	673,430
Bank borrowings	8,930	1,457	17	16	15	16	10,451
Subtotal of debt instruments and other marketable securities and bank borrowings	23,062	74,525	17	319,994	266,267	16	683,881
Derivatives	421	-	-	-	-	-	421
Other financial liabilities	6,040	288	221	221	221	219	7,210
Total non-current and current payables	29,523	74,813	238	320,215	266,488	235	691,512

At 31 December 2018, the Company had been granted a loan of EUR 92 thousand (2017: EUR 105 thousand), which is secured by a mortgage on investment property consisting of housing units and garages in Fuengirola (see Note 7).

A 0.5% increase in the interest rates applicable to bank borrowings, without considering borrowings at fixed interest rates, would have an impact of EUR 99 thousand on the Company's loss before tax.

The Company had been granted discount lines and credit facilities at 31 December 2018 and 2017 with the following limits:

	Thousands of euros			
	2018		2017	
	Limit	Undrawn amount	Limit	Undrawn amount
Discount facilities	-	-	15,893	12,864
Credit facilities	10,598	324	707,010	112,351
Total	10,598	324	722,903	125,215

Of the credit facilities drawn down by the Company maturing in 2018, EUR 3,174 thousand relate to lines arranged with renewal clauses.

In 2018 the discount lines and credit facilities bore average interest at 1.85% and 2.56%, respectively (2017: 1.85% and 2.72%, respectively).

The section on liquidity risk in Note 9.4.1 explains the process to renew the multi-product syndicated financing agreement and the status thereof at 31 December 2018.

18.2 Current payables to Group companies and associates

The detail of "Current Payables to Group Companies and Associates" at 31 December 2018 and 2017 is as follows:

2018

Entity	Group companies	Associates
	Current	Current
OHL Andina, S.A.	125,069	-
Constructora de Proyectos Viales de México, S.A. de C.V.	99,381	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	82,871	-
S.A. Trabajos y Obras (SATO)	48,674	-
OHL Austral, S.A.	31,733	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	26,691	-
Construcciones Adolfo Sobrino, S.A.	16,611	-
OHL Industrial, S.L.	14,503	-
Asfaltos y Construcciones Elsan, S.A.	8,930	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	1,694	-
Obrascón Huarte Lain Desarrollos, S.L.	1,348	-
Avalora Tecnologías de la Información, S.A.	1,305	-
Constructora TP, S.A.C.	1,058	-
Mantohledo, S.A.U.	345	-
Chemtrol Proyectos y Sistemas, S.L.	341	-
Less than EUR 300 thousand	364	-
UTE Marmaray. Turkey	-	16,820
UTE Ferrocarril Ankara-Estambul. Turkey	-	5,036
UTE Schofields Road Two. Australia	-	1,303
UTE Carretera de Panamá. Panama	-	674
UTE Caldereta-Corralejo. Spain	-	300
Less than EUR 300 thousand	-	2,784
Total	460,918	26,917

2017

Entity	Group companies	Associates
	Current	Current
OHL Concesiones, S.A.U.	357,445	-
OHL Andina, S.A.	144,580	-
Constructora de Proyectos Viales de México, S.A. de C.V.	129,646	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	90,633	-
S.A. Trabajos y Obras (SATO)	62,808	-
OHL Industrial, S.L.	53,132	-
OHL Austral, S.A.	37,653	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	26,956	-
Construcciones Adolfo Sobrino, S.A.	22,622	-
Asfaltos y Construcciones Elsan, S.A.	17,396	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	1,588	-
Obrascón Huarte Lain Desarrollos, S.L.	1,077	-
Constructora TP, S.A.C.	1,045	-
Avalora Tecnologías de la Información, S.A.	869	-
Catalana de Seguretat i Comunicacions, S.L.	687	-
Vacua, S.A.	587	-
Josefa Valcárcel 42, S.A.	355	-
Less than EUR 300 thousand	1,289	-
UTE Marmaray. Turkey	-	17,111
UTE FFCC Ankara-Estambul. Turkey	-	5,036
Consorcio Túneles Cerro S. Eduardo. Guayaquil. Ecuador	-	1,819
UTE Terminal Marítima España	-	484
UTE Carretera de Panamá. Panama	-	416
Consorcio Hospital Alajuela. Costa Rica	-	328
Less than EUR 300 thousand	-	2,673
Total	950,368	27,867

The "Group Companies – Current" column includes mainly loans and payables due to the tax effect.

Noteworthy in 2018 was the settlement of the entire debt with OHL Concesiones, S.A.U. arising from the sale of the ownership interest in that company, in the ordinary course of the Company's business.

The borrowing costs incurred on loans in 2018 amounted to EUR 32,789 thousand (2017: EUR 61,376 thousand) (see Note 23.1).

The current financial contributions of Group companies bore average interest at 4.21% in 2018 (2017: 4.53%). The other balances do not bear interest because they relate to trading transactions.

19.- TRADE PAYABLES

19.1 Disclosures on the average period of payment to suppliers. Additional Provision Three, "Disclosure obligation" provided for in Law 15/2010, of 5 July

Law 15/2010, of 5 July, establishes measures for combating late payment in commercial transactions, and the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 implements the disclosure obligation provided for in Additional Provision Three of the aforementioned law. This resolution repeals the immediately preceding resolution of 29 December 2010, which was based on the previous wording of Additional Provision Three of Law 15/2010, of 5 July.

The disclosures on the average period of payment, ratios of transactions settled and transactions not yet settled, and total payments made and outstanding at 31 December 2018 and 2017 are as follows:

	Days	
	2018	2017
Average period of payment to suppliers	63	60
Ratio of transactions settled	60	59
Ratio of transactions not yet settled	76	63

	Thousands of euros	
	2018	2017
Total payments made	306,607	270,859
Total payments outstanding	84,952	95,595

The average period of payment to suppliers excluding transactions with Group companies is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of the payments made plus the sum of the ratio of transactions not yet settled multiplied by the total amount of outstanding payments, and whose denominator is the result of adding the total amount of the payments made to the total amount of the outstanding payments.

The ratio of transactions settled is the sum of the products of the amount of each transaction multiplied by the number of days elapsed until payment divided by the total amount of the payments made.

The ratio of transactions not yet settled is the sum of the products of the amount of each transaction not yet settled multiplied by the number of days until the last day of the year divided by the total amount of the aforementioned payments.

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds the number of days established by law.

19.2 Trade payables - Group companies and associates

The detail of "Trade Payables - Group Companies and Associates" at 31 December 2018 and 2017 is as follows:

2018

Entity	Thousands of euros	
	Group companies	Associates
EyM Instalaciones, S.A.	23,403	-
Consorcio Instalaciones Mecánicas Hospital Gustavo Fricke, Spa	4,596	-
Sociedad Concesionaria Aguas de Navarra, S.A.	2,061	-
Constructora de Proyectos Viales de México, S.A.	1,439	-
EyM Norway, A.S.	1,085	-
Premol, S.A. de C.V.	871	-
Constructora TP, S.A.C.	391	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	359	-
Less than EUR 300 thousand	1,663	-
Nuevo Hospital de Toledo, S.A. Spain	-	7,373
Consorcio Constructor Muna. Peru	-	3,974
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	3,930
Centro Canalejas Madrid, S.L. Spain	-	1,648
UTE Rizzani Ohl Boodai Trevi (JV4). Kuwait	-	1,533
Less than EUR 1,000 thousand	-	31
Total	35,868	18,489

2017

Entity	Thousands of euros	
	Group companies	Associates
Autopista del Norte, S.A.C.	64,709	-
Constructora Proyectos Viales de México, S.A.	3,044	-
Sociedad Concesionaria Aguas de Navarra, S.A.	974	-
Consorcio Instalaciones Mecánicas Hospital Gustavo Fricke, Spa	938	-
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	773	-
Premol, S.A. de C.V.	524	-
Constructora TP, S.A.C.	411	-
Catalana de Seguretat i Comunicacions, S.L.	390	-
Less than EUR 300 thousand	1,635	-
Sociedad Concesionaria Vespucio Oriente, S.A. Chile	-	16,707
Consorcio Constructor Muna. Peru	-	5,750
Centro Canalejas Madrid, S.L. Spain	-	4,185
Nuevo Hospital de Toledo, S.A. Spain	-	3,030
UTE Kuwait JV2. Kuwait	-	1,002
Less than EUR 1,000 thousand	-	45
Total	73,398	30,719

These balances do not bear interest because they relate to trading transactions.

19.3 Trade and other payables

Certain of the UTEs in which the Company has interests have arranged reverse factoring lines with various banks to facilitate advanced payment to its suppliers, by which means suppliers can exercise their collection rights vis-à-vis the UTEs in which the Company has interests, and receive the amount billed less the discount finance costs and fees applied by the aforementioned banks.

These arrangements do not change the principal terms and conditions of payment to suppliers, such as terms or amounts and, therefore, they retain their classification as trade payables.

At 31 December 2018, the reverse factoring balance under "Trade and Other Payables" was EUR 22,257 thousand (31 December 2017: EUR 94,751 thousand).

20.-TAX MATTERS

20.1 Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2018 and 2017 is as follows:

Tax receivables	Thousands of euros	
	2018	2017
Current tax assets:	28,578	19,523
Income tax prepayments	7,301	6,387
Withholdings from income from movable capital	18,431	12,665
Tax refunds	2,846	471
Other accounts receivable from public authorities:	23,421	27,836
Sales tax refundable	20,577	24,242
Other tax receivables	2,837	2,944
Social security taxes refundable	7	650
Total	51,999	47,359

Tax payables	Thousands of euros	
	2018	2017
Current tax liabilities:	14,497	17,254
Income tax payable	14,497	17,254
Other accounts payable to public authorities:	25,397	25,436
Sales tax payable	14,069	13,162
Personal income tax withholdings payable	2,805	2,922
Tax on income from movable capital	1,776	907
Other tax payables	3,973	4,997
Accrued social security taxes payable	2,774	3,448
Total	39,894	42,690

20.2 Reconciliation of the accounting profit (loss) to the taxable profit (tax loss)

The Company has filed consolidated income tax returns since 1999 and is the head of the consolidated tax group.

The income tax expense / (benefit) in 2018 amounted to EUR (12,372) thousand and includes the following items:

- EUR (8,923) thousand relating to Spanish income tax.
- EUR (3,449) thousand relating to foreign tax on branches and UTEs (of a similar nature to Spanish tax).

Income tax is calculated on the basis of accounting profit (loss) determined by application of generally accepted accounting principles, which does not necessarily coincide with taxable profit (tax loss).

The reconciliation of the accounting profit (loss) to the taxable profit (tax loss) at 31 December 2018 and 2017 is as follows:

2018	Thousands of euros		
	Increase	Decrease	Total
Accounting profit before tax			370,452
Permanent differences	1,478,450	2,040,745	(562,295)
Temporary differences:			
Arising in the year	36,501	21,286	15,215
Arising in prior years	18,673	2,877	15,796
Offset of tax losses			-
Tax loss			(160,832)

2017	Thousands of euros		
	Increase	Decrease	Total
Accounting loss before tax			(76,258)
Permanent differences	361,445	286,670	74,775
Temporary differences:			
Arising in the year	2,529	16,954	(14,425)
Arising in prior years	31,930	11,300	20,630
Offset of tax losses			-
Taxable profit			4,722

The permanent differences in 2018 relate mainly to expenses not considered to be deductible for tax purposes, profits obtained abroad, the recognition and use of provisions treated as permanent differences, finance costs exceeding the legally-established limit and the elimination of dividends and gains on the sale of companies.

The temporary differences in 2017 arose mainly from:

- The profit of UTEs, the recognition of which for tax purposes is deferred one year.
- The recognition and use of provisions not considered to be tax deductible or taxable.
- The depreciation and amortisation charge that was considered to be non-deductible for tax purposes in prior years.

20.3 Detail of the Spanish income tax expense

The detail of the Spanish income tax expense (benefit) at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Current tax	(1,986)	1,180
Deferred tax	(7,982)	(1,551)
Positive/negative adjustments to income tax	1,045	(1,159)
Total tax benefit	(8,923)	(1,530)

20.4 Tax recognised in equity

The detail of the taxes recognised directly in equity at 31 December 2018 and 2017 is as follows:

2018

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:	-	-	-
Grants	-	17	(17)
Arising in prior years:			
Grants	121	-	121
Total deferred taxes	121	17	104
Total tax recognised directly in equity	121	17	104

2017

	Thousands of euros		
	Increase	Decrease	Total
Current taxes			
Total current taxes			
Deferred taxes			
Arising in the year:			
Available-for-sale financial assets	1,582	2,500	(918)
Grants	-	139	(139)
Arising in prior years:			
Grants	102	-	102
Total deferred taxes	1,684	2,639	(955)
Total tax recognised directly in equity	1,684	2,639	(955)

20.5 Deferred tax assets

The detail of "Deferred Tax Assets" at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Deductible temporary differences	55,151	46,309
Unused tax credits and tax relief	10	18
Tax loss carryforwards	26,891	26,400
Total deferred tax assets	82,052	72,727

At 31 December 2018, the deferred tax assets relating to tax loss carryforwards correspond to:

- EUR 25,803 thousand from OHL in Chile.
- EUR 1,088 thousand from OHL in Mexico.

In 2018 the Company assessed the recoverability of the deferred tax assets on the basis of the maintenance of the current key assumptions of the businesses and no risk of recoverability within the expiry periods was identified.

At 31 December 2018, the Company had EUR 530,195 thousand in tax loss carryforwards available for offset in future tax returns which, in accordance with the Spanish Income Tax Law, do not have a time limit for offset. These tax loss carryforwards were not recognised for accounting purposes.

At 31 December 2018, the detail of the tax credits available for deduction (not recognised for accounting purposes) in future tax returns filed with the tax authorities is as follows:

Type of tax credit	Thousands of euros	
	Amount	Last year for use:
International tax credits	1,260	No limit
Reinvestment tax credits	1,478	2019
R&D&I tax credits	8,615	2019
Other	4,879	2019

20.6 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Taxable temporary differences	6,746	6,063
Total deferred tax liabilities	6,746	6,063

20.7 Years open for review and tax audits

In prior years the Company earned tax credits for reinvestment, and the years and assets in which the reinvestments were made are as follows:

	Thousands of euros
	2013
Investments in Group companies and associates	20,060

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

At 2018 year-end the Company and its UTEs had the tax returns open for review by the tax authorities for all the taxes applicable to them.

On 5 July 2016, the Spanish tax authorities commenced tax audits, which concluded on 14 June 2018, of the following taxes and years:

	Period
Property rental income withholdings and pre-payments	2012-2013
Income from movable capital withholdings and pre-payments	2012-2013
Non-resident income tax withholdings	2012-2013
VAT	2012-2013
Income tax	2011-2013
Personal income tax withholdings and pre-payments	2012-2013

In relation to the tax audits of VAT, property rental income and income from movable capital withholdings and pre-payments and non-resident income tax withholdings, the tax authorities concluded that the data contained in the tax returns filed for the years open for review were correct.

In relation to VAT, the Company, as the head of consolidated tax group 043/99, signed the tax assessment on an uncontested basis, which did not give rise to any tax liabilities. However, the tax authorities adjusted the tax losses incurred by the Company in 2011, 2012 and 2013 by EUR 25,619 thousand, EUR 3,109 thousand and EUR 3,635 thousand, respectively, which gave rise to the reduction of the tax group's tax losses.

With respect to personal income tax withholdings and pre-payments, an assessment was signed on a contested basis, giving rise to a tax liability of EUR 493 thousand. As a result of the submissions filed by the Company, the tax liability was reduced to EUR 448 thousand, of which EUR 365 thousand related to deficiency and the rest to late-payment interest. Also, a penalty of EUR 182 thousand was imposed. The Company filed appeals against both the tax liability and the penalty with the Central Economic-Administrative Tribunal. The tax assessment was settled in due time and form, and a provision was recognised for the amount of the penalty.

The Company also has an unresolved appeal filed with the National Appellate Court against the personal income tax withholdings assessment for 2009–2011. The assessment appealed against included a deficiency and interest amounting to EUR 1,705 thousand and a penalty of EUR 753 miles, and a provision was recognised for both amounts.

In December 2017 the Supreme Court confirmed the National Appellate Court's decision upholding the appeal that the Company had filed against a VAT settlement from 2007, which amounted to EUR 21,711 thousand, of which EUR 18,187 thousand related to deficiency and the rest to late-payment interest. In 2018 the Company recovered the guarantees provided, together with associated costs of EUR 2,211 thousand, which were recognised under "Outside Services" in the statement of profit or loss.

The Company's directors consider that the tax returns for all the taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

21.- UNINCORPORATED TEMPORARY JOINT VENTURES

The detail of the sales, assets and liabilities of the UTEs at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Revenue	280,677	267,225
Non-current assets	5,634	104,742
Current assets	436,553	679,069
Non-current liabilities	-	-
Current liabilities	702,257	747,803

Appendix I includes information on the percentage of ownership and revenue relating to the main UTEs in which the Company has interests.

22.- INCOME AND EXPENSES

22.1 Revenue

Obrascón Huarte Lain, S.A.'s revenue in 2018 amounted to EUR 608,727 thousand (2017: EUR 703,698 thousand). The detail by activity, type of customer and geographical market is as follows:

Business activity	Thousands of euros	
	2018	2017
Civil engineering work in Spain	1,486	96,478
Roads	(20,318)	40,666
Hydraulic works	11,103	17,417
Railways	(16,493)	11,235
Maritime	1,538	21,190
Other civil engineering work	25,656	5,970
Building construction in Spain	263,628	161,823
Residential building construction	14,177	6,069
Non resident	249,451	155,754
Other	2,662	2,638
Total construction in Spain	267,776	260,939
International civil engineering work	227,576	360,609
Roads	(25,329)	64,750
Hydraulic works	-	50,467
Railways	174,414	222,612
Maritime and other civil engineering work	78,491	22,780
Building construction abroad	113,375	82,150
Non resident	113,375	82,150
Total construction abroad	340,951	442,759
Total revenue	608,727	703,698

Type of customer	Thousands of euros	
	2018	2017
Spain:		
Public-sector customers:	98,639	85,275
Central government	26,199	26,952
Autonomous community government	41,442	29,517
Local government	9,227	5,200
Other agencies	21,771	23,606
Private-sector customers	169,137	175,664
Total Spain	267,776	260,939
Abroad:		
Public-sector customers	259,937	338,121
Private-sector customers	81,014	104,638
Total abroad	340,951	442,759
Total revenue	608,727	703,698

Geographical market	Thousands of euros	
	2018	2017
Spain:		
Spain	267,776	260,939
Total Spain	267,776	260,939
Abroad:		
Chile	89,751	51,246
Peru	44,039	97,724
Rest of the world	207,161	293,789
Total abroad	340,951	442,759
Total revenue	608,727	703,698

Of the total revenue at 31 December 2018, EUR 280,677 thousand relate to UTEs (31 December 2017: EUR 267,225 thousand).

The countries in which the Company carries on its business on a permanent basis, i.e. where it has a local presence, are Spain, Chile and Peru. The Company also has a presence in other countries that are not currently considered to be local markets and are included under "Rest of the World".

22.2 Procurements

The detail of "Procurements" in the statements of profit or loss for the years ended 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Purchases of construction materials and machinery spare parts	124,318	115,151
Change in inventories of construction materials and machinery spare parts	(423)	3,127
Cost of construction materials and machinery spare parts used	123,895	118,278
Work performed by other companies	567,611	331,825
Inventory write-downs	-	-
Total procurements	691,506	450,103

At 31 December 2018, "Procurements" included EUR 234,961 thousand relating to UTEs (31 December 2017: EUR 152,783 thousand).

The detail, by origin, of the purchases made by the Company in 2018 and 2017 is as follows:

2018	Thousands of euros		
	Spain	EU countries	Imports
Purchases	53,114	14,916	56,288

2017	Thousands of euros		
	Spain	EU countries	Imports
Purchases	43,723	12,414	59,014

22.3 Wages, salaries and similar expenses

The expense in this connection totalled EUR 183,246 thousand in 2018 (2017: EUR 215,378 thousand).

"Wages, Salaries and Similar Expenses" includes the costs relating to a collective redundancy procedure completed on 31 December 2018. This procedure gave rise to total costs of EUR 13,000 thousand and led to the termination of 131 jobs (see Note 4.13).

22.4 Losses on and write-down of trade receivables and changes in provisions for commercial transactions

The detail of "Losses on and Write-Down of Trade Receivables and Changes in Provisions for Commercial Transactions" is as follows:

	Thousands of euros	
	2018	2017
Changes in provisions for and losses on commercial transactions	(146,936)	(135)
Changes in short-term provisions	12,180	602
Other changes	(80)	-
Total losses on and write-down of trade receivables and changes in provisions for commercial transactions	(134,836)	467

In 2018 the Company wrote off receivables totalling EUR 146,969 thousand, of which EUR 143,268 thousand relate to the Sidra Medical and Research Center project (Qatar) (see Note 13).

The changes in short-term provisions relate to various items detailed in Note 17.1.

22.5 Other current operating expenses

The detail of "Other Current Operating Expenses" is as follows:

	Thousands of euros	
	2018	2017
Recognition of provisions for investees	(248,776)	(1,905)
Current operating expenses and losses	(6,375)	(530)
Total other current operating expenses	(255,151)	(2,435)

The recognition of provisions for investees relates to the long-term provisions detailed in Note 17.1.

22.6 Third-party finance income and costs

The detail of third-party finance income and costs in the statement of profit or loss is as follows:

	Thousands of euros	
	2018	2017
Dividends	3	2
Total finance income from investments in equity instruments	3	2
Interest income on long- and short-term loans	5,676	4,452
Other finance income	4,884	15,632
Total finance income from marketable securities and other financial instruments	10,560	20,084
Interest and costs on bonds and marketable securities	(45,576)	(52,555)
Interest on bank borrowings	(8,194)	(13,072)
Other finance costs	(10,378)	(9,610)
Total finance costs on debts to third parties	(64,148)	(75,237)
Interest cost relating to provisions	-	(351)

The interest income on loans relates mainly to the long- and short-term loans detailed in Note 23.2.

Other finance income includes mainly the late-payment interest income described in Note 4.11.

The finance costs on bonds, marketable securities and bank borrowings relate to the financial liabilities of this type described in note 18.1.

22.7 Impairment and gains or losses on disposals of financial instruments

The detail of "Impairment and Gains or Losses on Disposals of Financial Instruments" in the statement of profit or loss is as follows:

Impairment and other losses	Thousands of euros	
	2018	2017
Impairment of equity instruments of Group companies	(607,780)	(158,265)
Impairment of equity instruments of associates	(11,420)	-
Impairment of long-term loans to Group companies	(40,883)	(22,117)
Impairment of equity instruments of other companies	-	(9,999)
Reversal of impairment of equity instruments of Group companies	-	3,924
Other impairment and gains and losses	873	1,600
Total impairment and other losses	(659,210)	(184,857)

The impairment of equity instruments of Group companies in 2018 relates mainly to OHL Desarrollos, S.L. and OHL Construcción Internacional, S.L. (see Note 9.3.1).

The impairment of long-term loans to Group companies relates to OHL Industrial, S.A. (see Note 9.3.1).

Gains or losses on disposals and other	Thousands of euros	
	2018	2017
Gains on disposal of non-current assets classified as held for sale	1,506,283	-
Losses on loans	(99,694)	-
Losses on disposal of equity instruments of Group companies and associates	(1,428)	(45)
Gains or losses on disposal of own debt instruments	(2,282)	-
Total gains or losses on disposals and other	1,402,879	(45)

The gain on the sale of non-current assets classified as held for sale relates in full to the sale of OHL Concesiones, S.A.U., the disposal of which was concluded in 2018 (see Note 11). This sale gave rise to an inflow of liquidity for the Company that allowed it to significantly reduce its bank borrowings, repurchase bonds maturing at long term, distribute an interim dividend for 2018 and, with the remaining amount, increase its available cash balance.

The losses on loans to other companies relate to the impairment associated with the costs of the guarantees enforced (see Note 9.1) in relation to the Sidra Medical and Research Center design and construction project (Doha, Qatar) (see Note 17.3.2).

The loss on the disposal of own debt instruments corresponds to the loss on the partial repurchases of bonds detailed in Note 18.1.

22.8 Transactions and balances in currencies other than the euro

The detail of the main transactions in currencies other than the euro in 2018 and 2017, by currency, for the main operating income and expense items, translated at the average exchange rates, is as follows:

2018

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	11,886	513	53,531	5,693
Algerian dinar	(27,099)	108	9,824	5,100
Kuwaiti dinar	(8,345)	92	(3,525)	3,789
Australian dollar	6,106	318	9,242	316
US dollar	9,024	294	21,384	24,980
Vietnamese dong	98	10	1,040	70
Pound sterling	2,584	444	18,304	6,930
Turkish lira	-	509	878	1,210
Argentine peso	-	-	2	20
Chilean peso	89,855	1,737	86,813	7,301
Mexican peso	29,088	7,304	25,274	9,529
Uruguayan pesos	871	-	266	1,010
Saudi Arabian riyal	-	-	-	435
Qatari riyal	5,703	19	(158)	358,500
Peruvian nuevo sol	35,015	590	16,852	16,010
Polish zloty	-	233	237	169
Other currencies	538	6	220	468
Total	155,324	12,177	240,184	441,530

2017

Currency	Thousands of euros			
	Revenue	Other operating income	Procurements	Other operating expenses
Norwegian krone	24,595	1,286	30,378	4,326
Algerian dinar	21,510	788	6,486	7,268
Kuwaiti dinar	22,230	387	(2,036)	7,335
Australian dollar	20,236	-	21,613	727
US dollar	55,514	461	7,041	21,916
Vietnamese dong	6,212	185	5,154	319
Pound sterling	2,848	-	2,626	5,219
Turkish lira	-	1,284	2,254	1,577
Argentine peso	-	-	7	190
Chilean peso	51,246	6,895	55,543	14,459
Mexican peso	15,473	6,199	16,285	6,332
Uruguayan pesos	5,408	4	1,778	2,424
Saudi Arabian riyal	-	-	-	1,645
Qatari riyal	-	(11)	(9,792)	4,051
Peruvian nuevo sol	42,210	1,397	19,993	11,241
Polish zloty	965	47	(1,959)	816
Other currencies	-	568	-	933
Total	268,447	19,490	155,371	90,778

The main balances payable in currencies other than the euro at 31 December 2018 and 2017, by currency and for the main liability items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

2018

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	43,818	-	5,588
Algerian dinar	-	-	13,399	-	3,302
Kuwaiti dinar	-	-	57,022	-	30
Australian dollar	-	-	664	-	507
US dollar	-	-	88,965	-	11,609
Vietnamese dong	-	-	3,009	-	101
Pound sterling	-	-	20,632	-	100
Turkish lira	-	-	3,301	-	55
Argentine peso	-	-	215	-	1,343
Chilean peso	-	-	125,102	-	530
Mexican peso	-	-	16,369	-	99,904
Uruguayan pesos	-	-	57	-	1,284
Qatari riyal	-	-	52,965	-	-
Peruvian nuevo sol	-	-	37,601	-	3,019
Polish zloty	-	-	1,790	-	6
Other currencies	-	-	780	-	100
Total	-	-	465,689	-	127,478

2017

Currency	Thousands of euros				
	Bank borrowings	Other financial liabilities	Trade payables	Other liabilities	
				Non-current	Current
Norwegian krone	-	-	24,570	-	3,402
Algerian dinar	-	-	12,481	-	8,186
Kuwaiti dinar	-	-	73,408	-	-
Australian dollar	-	-	6,268	-	568
US dollar	2,512	-	78,924	-	48,897
Vietnamese dong	-	-	5,959	-	51
Pound sterling	-	-	14,616	-	57
Turkish lira	-	-	966	-	349
Argentine peso	-	-	502	-	1,726
Chilean peso	3,081	9	58,466	-	67,634
Mexican peso	-	-	7,684	-	130,169
Uruguayan pesos	-	-	1,021	-	1,322
Qatari riyal	-	-	51,653	-	28
Peruvian nuevo sol	-	-	43,521	-	2,027
Polish zloty	-	-	1,994	-	2
Other currencies	-	-	107	-	12
Total	5,593	9	382,140	-	264,430

The main balances receivable in currencies other than the euro at 31 December 2018 and 2017, by currency and for the main asset items in the balance sheet, translated to euros at the year-end exchange rate, were as follows:

Currency	Thousands of euros					
	2018			2017		
	Non-current financial assets	Current financial assets	Trade and other receivables	Non-current financial assets	Current financial assets	Trade and other receivables
Czech koruna	-	-	-	-	-	-
Norwegian krone	364	-	1,477	351	-	5,400
Algerian dinar	818	-	8,987	914	-	70,987
Kuwaiti dinar	66	-	21,902	70	-	35,187
Australian dollar	-	-	6,267	1	-	6,368
US dollar	1,965	299	37,104	1,882	286	57,011
Vietnamese dong	-	-	2,931	-	-	5,379
Pound sterling	-	-	2,785	-	-	801
Turkish lira	5	-	1,992	3	-	9,128
Argentine peso	-	-	953	25	-	2,481
Chilean peso	-	-	205,703	-	-	236,303
Mexican peso	6	-	19,951	6	-	10,179
Uruguayan pesos	-	-	1,341	-	-	1,897
Saudi Arabian riyal	-	-	4,912	-	-	789
Qatari riyal	2,900	-	13,559	100,038	-	360,572
Peruvian nuevo sol	-	-	25,169	-	-	94,680
Polish zloty	-	-	749	-	-	724
Other currencies	24	-	586	24	-	141
Total	6,148	299	356,368	103,314	286	898,027

The sensitivity analysis of the foreign currency risks of financial instruments for the main currencies simulated a 10% increase in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2018 and 2017, the net impact of which on profit or loss was as follows:

(Expense)/Income)	Thousands of euros	
Currency	2018	2017
Norwegian krone	(3,567)	(1,667)
Algerian dinar	(517)	3,843
Kuwaiti dinar	(2,631)	(2,861)
US dollar	(4,590)	(5,337)
Argentine peso	(45)	21
Chilean peso	6,005	8,033
Mexican peso	(7,224)	(9,575)
Qatari riyal	(2,738)	30,670
Peruvian nuevo sol	(1,159)	3,685
Polish zloty	(79)	(95)
Total	(16,545)	26,717

If a sensitivity analysis were performed using the assumption of a 10% decrease in the foreign currency per euro exchange rate with respect to the rates applicable at 31 December 2018 and 2017, the net impact on profit or loss would be as follows:

(Expense)/Income)	Thousands of euros	
Currency	2018	2017
Norwegian krone	3,243	1,515
Algerian dinar	470	(3,493)
Kuwaiti dinar	2,392	2,601
US dollar	4,173	4,851
Argentine peso	41	(19)
Chilean peso	(5,459)	(7,303)
Mexican peso	6,567	8,705
Qatari riyal	2,489	(27,882)
Peruvian nuevo sol	1,053	(3,350)
Polish zloty	71	87
Total	15,040	(24,288)

22.9 Backlog

At 31 December 2018, the Company's backlog amounted to EUR 1,812,948 thousand (2017: EUR 2,373,852 thousand).

The breakdown of the backlog, by activity and geographical market, is as follows:

Business activity	Thousands of euros	
	2018	2017
Civil engineering work in Spain	425,481	344,371
Roads	206,499	174,171
Hydraulic works	53,168	50,070
Railways	148,244	89,942
Maritime	134	1,131
Other civil engineering work	17,436	29,057
Building construction in Spain	329,953	412,907
Residential building construction	28,847	32,467
Other buildings	301,106	380,440
Other	962	2,523
Total construction in Spain	756,396	759,801
International civil engineering work	866,820	1,366,118
Roads	444,220	667,840
Railways	369,930	424,306
Maritime	-	176,305
Other civil engineering work	52,670	97,667
Building construction abroad	189,732	247,933
Other buildings	189,732	247,933
Total construction abroad	1,056,552	1,614,051
Total backlog	1,812,948	2,373,852

Geographical market	Thousands of euros	
	2018	2017
Spain:		
Spain	756,396	759,801
Total Spain	756,396	759,801
Abroad:		
Chile	530,255	970,267
Peru	181,997	217,608
Rest of the world	344,300	426,176
Total abroad	1,056,552	1,614,051
Total backlog	1,812,948	2,373,852

Of the total backlog at 31 December 2018, EUR 878,617 thousand related to direct construction work and EUR 934,331 thousand to UTEs (31 December 2017: EUR 1,289,838 thousand and EUR 1,084,014 thousand, respectively).

Also, at 31 December 2018 EUR 1,087,830 thousand related to public-sector works and EUR 725,118 thousand to private-sector works (31 December 2017: EUR 1,191,040 thousand and EUR 1,182,812 thousand, respectively).

23.- RELATED-PARTY TRANSACTIONS AND BALANCES

23.1 Transactions with Group companies and associates

The detail of the transactions with Group companies in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Revenue	12,221	22,187
Other operating income	34,560	48,168
Finance income	61,641	71,588
Dividends received	580,629	187,704
Non-current asset disposals	1,450	636
Procurements	2,038	531
Other operating expenses	9,375	9,398
Finance costs	32,789	61,376
Non-current asset purchases	1,882	4,191
Acquisitions of financial assets	256,513	-

The acquisitions of financial assets relate to transactions carried out in 2018 prior to the sale of OHL Concesiones, S.A.U., primarily to acquire that company's ownership interests in, and loans granted to, Cercanías Móstoles Navalcarnero, S.A. and Aeropistas, S.L. (see Note 9.1).

The detail of the dividends received from Group companies is as follows:

Company	Thousands of euros	
	2018	2017
OHL Concesiones, S.A.U.	567,637	165,000
Construcciones Adolfo Sobrino, S.A.	6,000	-
S.A. Trabajos y Obras (SATO)	3,442	6,918
OHL Arabia, LLC	2,379	8,057
Agrupación Guinovart Obras y Servicios Hispania, S.A.	1,056	7,617
Other dividends of less than EUR 200 thousand	115	112
Total	580,629	187,704

Prior to the conclusion of the sale and transfer of the share capital of OHL Concesiones, S.A.U. to IFM Global Infrastructure Fund (IFM), on 10 April 2018, OHL Concesiones, S.A.U. resolved to pay an extraordinary dividend of EUR 567,637 thousand.

The detail of the transactions with associates in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Revenue	59,124	23,983
Other operating income	913	604
Finance income	68	-
Other operating expenses	300	89

23.2 Related party transactions and balances

The detail of the transactions with related companies in 2018 and 2017 is as follows:

	Thousands of euros			
	2018	% of total	2017	% of total
Income and expenses				
Revenue	52,900	8.69	28,829	4.10
Other operating income	1,470	2.31	1,351	1.39
Finance income	5,112	0.78	4,245	1.52
Procurements	77	0.01	394	0.09
Outside services	3,561	1.90	3,557	1.80

Other transactions	Thousands of euros	
	2018	2017
Financing agreements: loans granted	34,866	-
Advances	(34,866)	-
Dividends paid	42,683	-
Sale of non-current assets	-	-
Non-current asset purchases	686	711
Acquisitions of financial assets	-	-
Guarantees provided	10,544	-

In addition, at 31 December 2018 the Company had provided guarantees to related entities amounting to EUR 11,393 thousand.

The detail of the transactions indicated above in 2018 is as follows:

Taxpayer or employer identification number of the related company	Name of the related company		Thousands of euros
B-86092145	Centro Canalejas Madrid, S.L.	Revenue	28,485
A-87287223	Espacio Caleido, S.A.	Revenue	20,793
A-28027399	Espacio Mallaeta, S.L.U	Revenue	2,075
B-83962225	Espacio Living Homes, S.L.U.	Revenue	1,319
B-82607839	Promociones y Propiedades Inmobiliarias Espacio, S.L.U.	Revenue	228
A-82500257	Grupo Villar Mir, S.A.U.	Other operating income	1,291
A-87287223	Espacio Caleido, S.A.	Other operating income	91
A-80400351	Espacio Information Technology, S.A.U.	Other operating income	68
B-86092145	Centro Canalejas Madrid, S.L.	Other operating income	19
B-86830536	Alse Park, S.L.	Other operating income	1
A-82500257	Grupo Villar Mir, S.A.U.	Finance income	4,045
A-28032829	Pacadar, S.A.U.	Finance income	1,067
A-28032829	Pacadar, S.A.U.	Procurements	77
A-80400351	Espacio Information Technology, S.A.U.	Other operating expenses	3,145
B-83393066	Energía VM Gestión de Energía, S.L.U.	Other operating expenses	316
B-84996362	Torre Espacio Gestión, S.L.U.	Other operating expenses	42
B-86727500	Torre Espacio Restauración, S.L.U.	Other operating expenses	27
B-86830536	Alse Park, S.L.	Other operating expenses	17
A-28294718	Inmobiliaria Espacio, S.A.	Other operating expenses	14
A-82500257	Grupo Villar Mir, S.A.U.	Dividends paid	42,683
A-28032829	Pacadar, S.A.U.	Financing agreements: loans granted	34,866
A-28032829	Pacadar, S.A.U.	Advances	(34,866)
A-80400351	Espacio Information Technology, S.A.U.	Non-current asset purchases	686
B-86830536	Alse Park, S.L.	Guarantees provided	7,250
B-86830536	Alse Park, S.L.	Guarantees provided	(6,042)
A-87287223	Espacio Caleido, S.A.	Guarantees provided	10,000
B-86092145	Centro Canalejas Madrid, S.L.	Guarantees provided	2,044
B-86092145	Centro Canalejas Madrid, S.L.	Guarantees provided	(45)
A-28294718	Inmobiliaria Espacio, S.A.	Guarantees provided	(2,663)

These transactions, which are performed under a contractual relationship, were carried out on an arm's length basis.

At 31 December 2018 and 2017, the balances with related companies were as follows:

	Thousands of euros			
	2018	% of total	2017	% of total
Assets:				
Long-term loans to third parties	-	-	81,772	99.39
Trade receivables for sales and services	12,291	4.27	10,300	1.74
Other accounts receivable	3,049	10.95	1,514	2.22
Short-term loans to third parties (*)	120,719	99.66	1,606	31.91
Liabilities:				
Trade payables	116	0.03	5,247	1.05
Other current financial liabilities	325	5.38	212	2.88

(*) See Note 9.2.

23.3 Remuneration of directors and senior executives and conflicts of interest

The remuneration of the Board of Directors is regulated by Article 24 of the bylaws and the Directors' Remuneration Policy approved, as established in Article 529 novodecies of the Spanish Limited Liability Companies Law, by the shareholders at the Annual General Meeting held on 26 June 2018, for 2018 and the following three years and which established annual maximum remuneration for the non-executive directors, as compensation for the tasks performed, of ONE MILLION FOUR HUNDRED THOUSAND EUROS (EUR 1,400,000), with the distribution criteria that the Board of Directors itself approved and which is included in the aforementioned Remuneration Policy. Also, at the proposal of the Nomination and Remuneration Committee, the Board of Directors submitted for approval by the shareholders at the Annual General Meeting additional remuneration of EUR 450,000 to the members of the Board of Directors in 2018 as an extraordinary and one-off amount. This remuneration was intended to compensate them for the increased workload and completion of the sale of the wholly owned subsidiary OHL Concesiones, S.A.U. on 12 April 2018. This additional amount was distributed in equal parts among the Independent Non-Executive Directors in office on the completion date of the transaction as a one-off payment. Consequently, the amount of the annual remuneration of all the non-executive directors as a whole, due to their general duties as directors in 2018, included the annual maximum remuneration of EUR 1,400,000 and the extraordinary one-off remuneration of EUR 450,000 as an additional amount.

In 2018, as in prior years, the non-executive directors did not receive any kind of benefits. This fixed remuneration is compatible with, and independent from, remuneration, termination benefits, pensions and compensation of any kind received by those members of the Board of Directors as a result of the employment relationship with or the rendering of services to the Company.

On this same date, the Company' Board of Directors prepared the Annual Report on Directors' Remuneration, as established in Article 541 of the Spanish Limited Liability Companies Law, with an individualised breakdown of all items earned in 2018 by each director. Following is an individualised detail of the remuneration accrued by each director in his or her capacity as such in 2018, excluding the remuneration accrued for executive functions subsequently disclosed:

Directors	Euros	
	Attendance fees	Extraordinary remuneration
Juan Villar-Mir de Fuentes (<i>non-executive proprietary</i>)	130,000	-
Silvia Villar-Mir de Fuentes (<i>non-executive proprietary</i>)	110,000	-
Juan Luis Osuna Gómez (1) (<i>executive</i>)	-	-
José Antonio Fernández Gallar (2) (<i>executive</i>)	-	-
Mónica de Oriol e Icaza (3) (<i>non-executive independent</i>)	70,000	90,000
Reyes Calderón Cuadrado (<i>non-executive independent</i>)	145,000	90,000
Manuel Garrido Ruano (<i>non-executive proprietary</i>)	130,000	-
Juan José Nieto Bueso (<i>non-executive independent</i>)	152,500	90,000
Juan Antonio Santamera Sánchez (<i>other non-executive</i>)	130,000	-
Álvaro Villar-Mir de Fuentes (4) (<i>non-executive proprietary</i>)	55,000	-
José Luis Díez García (5) (<i>non-executive independent</i>)	72,500	90,000
Ignacio Moreno Sanchez (5) (<i>non-executive independent</i>)	65,000	90,000
Javier Goñi del Cacho (<i>non-executive proprietary</i>)	110,000	-
Carmen de Andrés Conde (6) (<i>non-executive independent</i>)	75,000	-
César Cañedo-Argüelles Torrejón (6) (<i>non-executive independent</i>)	65,000	-
TOTAL	1,310,000	450,000

- (1) Resigned on 28 June 2018
- (2) Appointed on 28 June 2018
- (3) Removal due to termination of position on 26 June 2018
- (4) Resigned on 26 June 2018
- (5) Resigned on 9 July 2018
- (6) Appointed on 9 July 2018

In 2018 the executive directors earned total remuneration of EUR 20,807 thousand (2017: EUR 12,365 thousand), including the amount received by the CEO of the Company until 28 July 2018, Juan Osuna, as extraordinary remuneration (EUR 18,000,000), which was approved by the shareholders at the Extraordinary General Meeting held on 9 January 2018 as a result of the sale of OHL Concesiones, S.A.U. Also, EUR 17 thousand were paid in other benefits relating to life insurance policies (2017: EUR 11 thousand) and no amounts were paid with regard to the employee welfare plan (2017: EUR 283 thousand).

No advances or loans have been granted to the Board members.

Remuneration of senior executives

The remuneration earned by the Company's senior executives in 2018 –excluding those who are also members of the Board of Directors (whose remuneration is detailed above)– amounted to EUR 12,728 thousand (2017: EUR 8,208 thousand), of which EUR 3,244 thousand correspond to variable remuneration (2017: EUR 1,904 thousand). "Remuneration of Senior Executives" also includes the amounts accrued and paid as settlements to five senior executives upon termination of their employment in 2018.

Conflicts of interest

At 31 December 2018, none of the directors had notified the Board of Directors of any direct or indirect conflict of interest that they or persons related to them might have had with respect to the Company in 2018.

24.- INFORMATION ON THE ENVIRONMENT

In 2018 the Company incurred environmental expenses amounting to EUR 557 thousand (2017: EUR 740 thousand). At 31 December 2018 and 2017, the Company had not recognised any environmental assets in the balance sheets.

25.- OTHER DISCLOSURES

25.1 Headcount

The average number of employees in 2018 and 2017, by category, was as follows:

Professional category	Average number of employees	
	2018	2017
Senior executives	6	7
Executives	30	33
Directors/Managers	82	106
Middle managers	561	587
Other line personnel	994	933
Clerical staff	446	497
Manual workers	3,685	3,985
Total	5,804	6,148
Permanent employees	1,958	1,976
Temporary employees	3,846	4,172
Total	5,804	6,148

The average number of employees at UTEs in 2018 was 1,005 (2017: 1,267 employees).

The average number of employees at the Company with a disability equal to or greater than 33% in 2018 and 2017, by category, was as follows:

Professional category	2018	2017
Directors/Managers	-	1
Middle managers	2	2
Other line personnel	2	1
Clerical staff	8	5
Manual workers	7	2
Total	19	11

Also, the average number of employees at UTEs with a disability equal to or greater than 33% in 2018 was three (2017: zero).

The number of employees at the end of 2018 and 2017, by gender and professional category, was as follows:

Professional category	Number of employees at year-end					
	31/12/18			31/12/17		
	Men	Women	Total	Men	Women	Total
Senior executives	7	-	7	6	-	6
Executives	25	3	28	28	1	29
Directors/Managers	60	8	68	85	11	96
Middle managers	427	68	495	457	68	525
Other line personnel	640	179	819	716	182	898
Clerical staff	180	156	336	271	208	479
Manual workers	1,568	187	1,755	3,771	146	3,917
Total	2,907	601	3,508	5,334	616	5,950

The number of temporary employees at UTEs at 31 December 2018 was 762 (31 December 2017: 1,206 employees).

The Board of Directors is composed of seven men and three women.

25.2 Fees paid to auditors

The fees for financial audit and other services provided by the Company's principal auditor, Deloitte, S.L., or by other firms related to the auditors or by other auditors, were as follows:

	Thousands of euros					
	Principal auditor		Other auditors		Total	
	2018	2017	2018	2017	2018	2017
Audit services	586	600	100	77	686	677
Other attest services	80	77	-	-	80	77
Total audit and related services	666	677	100	77	766	754
Tax counselling services	26	12	7	4	24	16
Other services	143	204	-	5	143	209
Total professional services	169	216	7	9	176	225
Total	835	893	107	86	942	979

"Financial Audit Services" includes the fees for professional services performed by the auditor, normally due to Spanish and international regulatory requirements, such as statutory audits, internal control review reports, limited reviews of periodic public information performed at listed companies, etc.

"Other Attest Services" includes the fees for professional services in which some kind of assurance is expressed, but which are not regulated by any mandatory legislation, such as one-off limited reviews, special reports on security placement processes, agreed-upon procedures reports, covenant reports, etc.

"Tax Counselling Services" includes the fees for the provision of services relating to all forms of tax counselling.

"Other Services" includes the fees for the other professional services not included in the above line items which, by nature, are more akin to consultancy or independent third-party services.

25.3 Statement of cash flows

The Company's statement of cash flows was prepared in accordance with the information detailed in Note 4.18. The following aspects are worthy of mention in relation to each of the main sections thereof:

Cash flows from operating activities

"Cash Flows from Operating Activities" in 2018 amounted to EUR (633,547) thousand, and it should be noted that:

The consolidated profit before tax for 2018 amounted to EUR 370,452 thousand.

The detail of "Other Adjustments to Profit" is as follows:

	Thousands of euros	
	2018	2017
Changes in provisions	383,672	(53,689)
Financial profit or loss	(1,206,848)	14,695
Impairment and gains or losses on disposals of non-current assets	8,635	(2,829)
Grants	(485)	(409)
Total	(815,026)	(42,232)

"Other Cash Flows from Operating Activities" includes dividends received, amounting to EUR 580,632 thousand, most notably the dividend received from OHL Concesiones, S.A.U. amounting to EUR 567,637 thousand (see Note 23.1).

Cash flows from investing activities

"Cash Flows from Investing Activities" amounted to EUR 1,910,881 thousand in 2018.

"Proceeds from Disposal", amounting to EUR 2,163,502 thousand, relates mainly to the sale of OHL Concesiones, S.A.U. (see Note 11).

Payments due to investment amounted to EUR (252,621) thousand.

Cash flows from financing activities

"Cash Flows from Financing Activities" amounted to EUR (918,988) thousand in 2018 and relates mainly to the reduction in bank borrowings.

As a result of the foregoing, cash and cash equivalents at the end of the year amounted to EUR 495,852 thousand, comprising mainly bank balances.

26.- EVENTS AFTER THE REPORTING PERIOD

A new novation of the multi-product syndicated financing agreement was entered into on 28 March 2019 which extended the maturity date to 30 June 2019. The remaining conditions were not amended and negotiations with the banks continued.

27.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1.). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules

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APPENDIX I

Unincorporated temporary joint ventures

Name of UTE	Percentage of ownership	Thousands of euros	
		UTE revenue in 2018	Construction work contracted by the UTE
5º TRAMO CYII	75.00	-	1,957
A.M.A.S. 2	50.00	2,750	4,500
A-3 BUÑOL-VALENCIA	65.00	2,665	90,532
ACCESO FERROVIARIO APB	22.50	537	12,047
AGUAS DE NAVARRA	77.11	3,449	84,567
ALAGON	60.00	192	3,925
ANGIOZAR	40.00	-	110,781
BALIZAMIENTO BARAJAS	34.00	2,088	4,530
BARRANCO FOIETES	55.00	38	5,746
BÚRDALO	75.00	-	39,655
CALDERETA-CORRALEJO	99.50	5,149	62,941
CAMP DEL FERRO	70.00	4,402	8,322
CANAL DE MURCIA TRAMO III	60.00	-	6,054
CBC VERTEDERO CADIZ	25.33	-	29,405
CELT EL PRAT	30.00	2,421	4,940
CENTRAL VILLORIA	50.00	832	1,464
CENTRO BOTIN	55.00	1	61,919
CONSERVACIÓN A-1 MADRID	20.00	12,547	41,214
CONSORCIO CONSTRUCTOR LIMA 2019 (PERU)	60.00	11,707	19,750
CONSORCIO MUNA (PERU)	25.00	26,170	93,217
CONSORCIO RIO PIURA (PERU)	50.00	16	21,582
CONSORCIO VIAL DEL SUR (PERU)	50.00	25,908	95,400
COSTA CALMA	99.50	5,761	55,961
EDAR DE SEGOVIA	50.00	884	22,467
EDAR LAGARES-VIGO	50.00	5,166	69,417
ESTACIONES LINEA 9 BARCELONA	17.00	-	215,443
ETAP PILONES	50.00	-	16,444
GLORIES LOTE 5	37.50	-	13,818
GUÍA-PAGADOR	87.50	2,621	87,049
HOSPITAL DE CUENCA	50.00	11,263	109,420
HOSPITAL UNIV. TOLEDO	33.33	120,225	201,381
IFA	55.50	-	19,007
J.V. 2 KUWAIT	50.00	(16,691)	648,800
LA ALDEA	50.00	1,041	94,366
LEZUZA	50.00	1,467	8,316
LIMPIEZA DE DEFENSA (with INGESAN)	30.00	8,921	36,174
LINEA 9 BARCELONA	17.00	-	595,665
MANTEN. INFRAESTR. VIALS BCN	33.34	339	4,603
MARMARAY (TURKEY)	70.00	242,444	1,262,442
MCCONNELL DOWELL CONSTRUCTORS AND OHL – K2K (AUSTRALIA)	50.00	3,818	128,000
MEL9	36.00	13,054	164,339
METRO MAVI GRANADA	58.00	-	41,455
NUEVO HOSPITAL DE ALCAÑIZ	50.00	2,971	47,502
OHL AND YORK SCHOFIELDS 2 JV (AUSTRALIA)	50.00	8,395	57,288
PINOS PUENTE-ATARFE	85.00	8,218	81,112
POLIDEPORTIVO HORTA	50.00	4,167	5,982
PUENTE RANERO	80.00	975	1,391
SANTA APOLONIA	80.00	1,018	1,954
T.A.T. ALGECIRAS	50.00	39	29,886
TENERIFE NORTE	80.00	299	5,498
TENERIFE SUR	80.00	4,712	4,790
TERMINAL MARITIMA Nº6	70.00	5,718	13,100
TRAMO II CATARROJA-BENIFAYO	65.00	68	14,363
TÚNEL AEROPUERTO II (L-9) BARCELONA	17.00	2,439	353,488
TUNEL ESPÍÑO VIA IZQUIERDA	70.00	-	101,708
TÚNELES NORTE SEVILLA	40.00	-	203,647
VARIANTE BAEZA	62.00	(2,343)	31,461
TOTAL		537,861	5,552,185

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APPENDIX II

Equity of Group companies

COMPANY	Thousands of euros										
	Share capital	Capital payments payable	Reserves	2018 profit (loss)	Interim dividend	Total shareholders' equity	Valuation adjustments	Grants	Total equity	Participating loan	Total equity + participating loan
9095063 Canada Inc.	-	-	-	-	-	-	-	-	-	-	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	30,050	-	75,670	(10,452)	-	95,268	-	-	95,268	-	95,268
Asfaltos y Construcciones Elsan, S.A.	7,603	-	942	(1,303)	-	7,242	-	112	7,354	5,000	12,354
Community Asphalt Corp.	2	-	55,003	(47,878)	-	7,127	-	-	7,127	-	7,127
Consortio Aura - OHL, S.A.	189	(189)	-	-	-	-	-	-	-	-	-
Construcciones Adolfo Sobrino, S.A.	1,520	-	7,713	2,044	-	11,277	-	-	11,277	-	11,277
Construcciones Colombianas OHL, S.A.S.	75	-	4,858	(24,087)	-	(19,154)	-	-	(19,154)	-	(19,154)
Constructora e Inmobiliaria Huarte, Ltda.	654	-	(185)	(144)	-	325	-	-	325	-	325
Elsengrund Bau GmbH	1,534	-	(3,320)	-	-	(1,786)	-	-	(1,786)	-	(1,786)
Empresa Constructora Huarte San José, Ltda.	18	(17)	201	(1)	-	201	-	-	201	-	201
Entorno 2000, S.A.	1,131	-	(1,272)	-	-	(141)	-	-	(141)	-	(141)
Mantohledo, S.A. (formerly Josefa Valcárcel, S.A.)	69	-	(963)	-	-	(894)	-	-	(894)	962	68
Marina Urola, S.A.	503	-	666	49	-	1,218	-	-	1,218	-	1,218
Mongas, S.A.	-	-	-	-	-	-	-	-	-	-	-
Obrascón Huarte Lain, Construcción Internacional, S.L.	42,173	-	59,789	(280,499)	-	(178,537)	-	-	(178,537)	-	(178,537)
Obrascón Huarte Lain, Desarrollos, S.L.	80,334	-	182,865	(218,763)	-	44,436	-	-	44,436	-	44,436
OHL Andina, S.A.	2,927	-	18,888	7,574	-	29,389	-	-	29,389	-	29,389
OHL Arabia, LLC	116	-	15,420	(9,431)	-	6,105	-	-	6,105	-	6,105
OHL Brasil, S.A.	291	-	(186)	(21)	-	84	-	-	84	-	84
OHL Concesiones Argentina, S.A.	209	-	(156)	(52)	-	1	-	-	1	-	1
OHL Construction India Private Limited	468	-	(445)	(23)	-	-	-	-	-	-	-
OHL Construction Pacific PTY LTD	-	-	(9,081)	153	-	(8,928)	-	-	(8,928)	-	(8,928)
OHL Industrial Chile, S.A.	51,354	-	(41,856)	(1,939)	-	7,559	-	-	7,559	-	7,559
OHL Industrial, S.L.	47,394	-	(66,829)	(121,180)	-	(140,615)	-	-	(140,615)	63,000	(77,615)
OHL Infrastructure Canada Inc.	-	-	-	-	-	-	-	-	-	-	-
OHL Infrastructure, Inc.	-	-	(1,062)	(1,867)	-	(2,929)	-	-	(2,929)	-	(2,929)
OHL Servicios-Ingesán, S.A.U.	790	-	12,018	(3,417)	-	9,391	-	-	9,391	-	9,391
OHL Uruguay, S.A.	-	-	(60)	58	-	(2)	-	-	(2)	-	(2)
Promoción de Concesiones 2018, S.L.U.	3	-	-	-	-	3	-	-	3	-	3
S.A. Trabajos y Obras	1,854	-	74,264	(9,784)	-	66,334	-	4	66,338	-	66,338
Sociedad Concesionaria Aguas de Navarra, S.A.	7,370	-	2,492	717	-	10,579	(1,559)	-	9,020	-	9,020
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	13,098	-	8,098	607	-	21,803	-	-	21,803	-	21,803
Tenedora de Participaciones Tecnológicas, S.A.	601	-	(34,542)	(514)	-	(34,455)	-	-	(34,455)	38,162	3,707
Vacua, S.A.	14,429	-	(13,828)	(4)	-	597	-	-	597	-	597

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX III

Investments in Group companies

COMPANY	% of ownership			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/17	Additions	Reductions	Transfers	Cost at 31/12/18
9095063 Canada Inc.	100.00	-	100.00	-	-	-	-	-
Agrupación Guinovart Obras y Servicios Hispania, S.A.	100.00	-	100.00	69,056	-	-	-	69,056
Asfaltos y Construcciones Elsan, S.A.	100.00	-	100.00	25,983	-	-	-	25,983
Community Asphalt Corp.	6.50	93.50	100.00	8,425	-	-	-	8,425
Consorcio Aura OHL, S.A.	65.00	-	65.00	132	-	(10)	-	122
Construcciones Adolfo Sobrino, S.A.	100.00	-	100.00	21,818	-	-	-	21,818
Construcciones Colombianas OHL, S.A.B.	30.00	70.00	100.00	32	-	-	-	32
Constructora e Inmobiliaria Huarte, Ltda.	89.90	10.10	100.00	850	-	-	-	850
Elsengrund Bau GmbH	100.00	-	100.00	2,426	1,000	-	-	3,426
Empresa Constructora Huarte San José, Ltda.	95.00	5.00	100.00	17	-	-	-	17
Entorno 2000, S.A.	100.00	-	100.00	853	-	-	-	853
Mantohledo, S.A.	100.00	-	100.00	45,469	-	-	-	45,469
L 6 Hotel Mayakoba, S.R.L. de C.V.	-	-	-	12,632	-	(12,632)	-	-
Marina Urola, S.A.	25.50	25.50	51.00	230	-	-	-	230
Mongas, S.A.	100.00	-	100.00	2,583	-	-	-	2,583
Obrascón Huarte Lain, Construcción Internacional, S.L.	100.00	-	100.00	311,064	130,340	-	-	441,404
Obrascón Huarte Lain, Desarrollos, S.L.	100.00	-	100.00	391,796	-	-	-	391,796
OHL Andina, S.A.	99.00	1.00	100.00	3,246	-	-	-	3,246
OHL Arabia, LLC	95.00	5.00	100.00	100	-	-	-	100
OHL Brasil, S.A.	1.00	99.00	100.00	4	-	-	-	4
OHL Concesiones Argentina, S.A.	100.00	-	100.00	161	69	-	-	230
OHL Construction India Private Limited	1.00	99.00	100.00	18	-	-	-	18
OHL Construction Pacific PTY LTD	100.00	-	100.00	-	-	-	-	-
OHL Industrial Chile, S.A.	0.01	99.99	100.00	1	-	-	-	1
OHL Industrial, S.L.	100.00	-	100.00	264,201	-	-	-	264,201
OHL Infrastructure Canada Inc.	100.00	-	100.00	-	-	-	-	-
OHL Infrastructure Inc.	100.00	-	100.00	-	-	-	-	-
OHL Servicios-Ingesán, S.A.U.	100.00	-	100.00	1,172	-	-	-	1,172
OHL Uruguay, S.A.	100.00	-	100.00	130	-	-	-	130
Promoción de Concesiones 2018, S.L.U.	100.00	-	100.00	-	3	-	-	3
S.A. Trabajos y Obras	100.00	-	100.00	43,348	-	-	-	43,348
Sociedad Concesionaria Aguas de Navarra, S.A.	65.00	-	65.00	4,791	-	-	-	4,791
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	100.00	-	100.00	11,245	-	(803)	-	10,442
Tenedora de Participaciones Tecnológicas, S.A.	100.00	-	100.00	526	-	-	-	526
Vacua, S.A.	99.11	0.89	100.00	599	-	-	-	599
Vincida Grupo de Inversiones 2006, S.L.	-	-	-	1	-	(1)	-	-
Total				1,222,909	131,412	(13,446)	-	1,340,875

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX IV

Investments in associates

COMPANY	% of ownership			Thousands of euros				
	Direct	Indirect	Total	Cost at 31/12/17	Additions	Reductions	Transfers	Cost at 31/12/18
Consortio Español Alta Velocidad Meca Medina, S.A.	6.29	-	6.29	4	-	-	-	4
Consortio Ruta 1, S.A.	10.00	-	10.00	161	-	-	-	161
Constructora Vespucio Oriente, S.A.	50.00	-	50.00	-	6	-	-	6
E.M.V. Alcalá de Henares, S.A.	34.00	-	34.00	409	-	-	-	409
Navarra Gestión del Agua, S.A.	30.00	-	30.00	18	-	-	-	18
Nuevo Hospital de Burgos, S.A.	20.75	-	20.71	11,420	-	-	-	11,420
Nuevo Hospital de Toledo, S.A.	33.34	-	33.34	7,934	-	-	-	7,934
NYSESA Valores Corporación, S.A.	0.80	-	33.34	-	-	-	-	-
Sociedad Mixta de Gestión y Promoción del Suelo, S.A.	1.20	-	1.20	9	-	-	-	9
Total				19,955	6	-	-	19,961

OBRASCÓN HUARTE LAIN, S.A.

APPENDIX V

Identification of the companies included in investments in Group companies

COMPANY	REGISTERED OFFICE	MAIN LINE OF BUSINESS
Construction		
9095063 Canada Inc.	Place Ville Marie, 37th Floor, Montreal, H3B 3P4	Financial studies
Agrupación Guinovart Obras y Servicios Hispania, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Asfaltos y Construcciones Elsan, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Infrastructure and urban services
Community Asphalt Corp.	9725 N.W. 117 th Avenue, Suite 108, Miami, FL, 33178 USA	Construction
Consorcio Aura OHL, S.A.	Territorio del Registro de Comercio del Conservador de Bienes Raíces de Santiago de Chile. Chile	Construction
Construcciones Adolfo Sobrino, S.A.	C/ Gran Via de Don Diego López De Haro, 33 - 4º 48009 Bilbao	Construction
Construcciones Colombianas OHL, S.A.S.	Crta. 17 no. 93-09 Piso 8 Edificio Ecotower. Colombia	Construction
Constructora e Inmobiliaria Huarte, Ltda.	C/ Cerro El Plomo, nº 5855 Piso 15. Las Condes, Santiago de Chile. Chile	Construction
Empresa Constructora Huarte San José, Ltda.	C/ Cerro El Plomo, nº 5855 Piso 15. Las Condes, Santiago de Chile. Chile	Construction
Mantohledo, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Obrascón Huarte Lain, Construcción Internacional, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction and operation
OHL Andina, S.A.	C/ Cerro El Plomo, nº 5855 Piso 15. Las Condes, Santiago de Chile. Chile	Construction
OHL Arabia, LLC	Jameel Squire – Tahlia, PO Box 8909 – Jeddah 23326. Saudi Arabia.	Construction and maintenance
OHL Brasil, S.A.	Rua Tabapuã, 1.123 – 16º Andar. Brazil	Construction
OHL Construction India Private Limited	Unit No.701, 7th floor Tower 4A DLF, Corporate Park, DLF Phase 3, Gurgaon, 122010, Haryana, India	Construction
OHL Construction Pacific PTY LTD	40 Creek Street Level 11, Brisbane 4000 – Australia	Construction
OHL Infrastructure Canada Inc.	100 King Street West, Suite 1600, Toronto M5X 1G5	Financial studies
OHL Infrastructure, Inc.	555 Theodore Fremd Ave, Suite B201 RYE. New York 10580	Financial studies
OHL Uruguay, S.A.	Edificio Argela, calle Rio Negro, 1354, piso 3, escritorio 16, Montevideo, CP 11105, Uruguay	Construction
S.A. Trabajos y Obras	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Construction
Sociedad Concesionaria Aguas de Navarra, S.A.	Camino de Labiano, nº 45,1º dcha. Mutilva Alta (31192 Navarra)	Construction
Sociedad Concesionaria Centro de Justicia de Santiago, S.A.	Av Manuel Rodríguez Sur 2281, Santiago de Chile. Chile	Construction
Vacua, S.A.	Los Militares 6191, piso 8. Los Condes. Santiago de Chile. Chile	Construction
Industrial		
OHL Industrial Chile, S.A.	Cerro el Plomo 5855 Piso 15, Santiago de Chile. (Chile)	Engineering, technical advisory services, water treatment and distribution
OHL Industrial, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Industrial engineering and maintenance at industrial plants
Services		
OHL Servicios - Ingesán, S.A.U.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Building maintenance and upkeep
Development		
Obrascón Huarte Lain, Desarrollos, S.L.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Real estate project development services
Other		
Elsengrund Bau GmbH	LG Berliner Stadtbank, A.G. Berlin - Germany	Other
Entorno 2000, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Other
Marina Urola, S.A.	Barrio Santiago - Puerto deportivo- (Zumaia - Guipúzcoa)	Concession and operation of marina in Zumaya (Guipúzcoa)
Mongas, S.A.	Rb de Catalunya, 20 (Barcelona)	Other
OHL Concesiones Argentina, S.A.	C/ Avenida Córdoba 632 - Piso 7, C1054AA5 Buenos Aires	Operation of concessions
Promoción de Concesiones 2018, S.L.U.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	Development of concessions
Tenedora de Participaciones Tecnológicas, S.A.	Torre Espacio, Pº de la Castellana nº 259 D (28046 Madrid)	New technologies



OBRASCÓN HUARTE LAIN, S.A.

2018 Directors' Report



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OBRASCÓN HUARTE LAIN, S.A.

2018 DIRECTORS' REPORT

1.- ECONOMIC OVERVIEW

2018 was characterised once again by great instability, more precisely in the political sphere, including the following most noteworthy examples: changes in governments (i.e. Spain, Italy, Mexico and Brazil), Donald Trump's meeting with Kim Jong-un, the war in Syria, sanctions on Iran for nuclear treatment and the yellow vest protests in France. On the other hand, economic instability was marked by two factors: i) the trade tensions between the US and China with the implementation of import duties by both parties, and ii) the continued tensions of Brexit.

As regards the policies implemented by the central banks, the US Federal Reserve (FED) made four interest rate increases in 2018 (after three increases in 2017), rising from +1.50% to +2.50% at the end of the year, praising growth, but highlighting the levels of debt and trade tensions. Following the latest revisions of the Eurozone growth forecasts, the European Central Bank (ECB) maintained flat rates at +0.0%, which suggests that the first interest rate increases are not expected until 2020, in accordance with the prudence with which the ECB is operating for monetary normalisation (it should be remembered that in December 2018 debt purchases ended). Lastly, the Bank of England increased interest rates once again to 0.75% (the second time in a decade) as a result of the economic uncertainty generated by Brexit.

According to the International Monetary Fund ("World Economic Outlook", WEO, January 2019), the global economy was expected to end 2018 with a GWP growth of around + 3.7%, a trend that consolidates the upturn in economic activity, albeit more moderately for the period 2019-2020, as political and trade tensions in the more advanced economies will start to show signs of fatigue.

In Spain, GDP figures showed year-on-year growth of +2.4% in 2018 (Spanish National Institute of Statistics, INE), a more modest growth compared with previous years, although it is backed once again by domestic demand. 2018 was another year in which Spain's economy was one of the fastest growing in Europe despite the political uncertainty experienced, helping the Eurozone to end 2018 with an estimated growth of +1.8%. In addition, the gross fixed capital formation in the Spanish non-residential construction industry saw year-on-year growth of +4.8% in 2018 (FUNCAS) and 2019 is expected to see similar figures.

2.- OUTLOOK

Looking ahead to 2019, the forecasts made by the international bodies and financial institutions (IMF, BBVA Research, FUNCAS, etc.) remain positive, although in their latest reviews they are already anticipating a reduction in expected growth. As in prior years, the main risks to consider will be: i) the trade war and its implications on the policies of central banks and, above all, ii) political radicalisation (i.e. Brexit, tensions in Venezuela and new governments with a more populist profile in Europe).

Against this backdrop, the International Monetary Fund expects GWP growth of around +3.5% (more moderate growth than in prior years). It should be noted that growth in the emerging economies is expected to remain at approximately +4.5%, compared to the weaker, downwardly revised advanced economies, with growth estimated at close to +2.0%. Let's take a look at the most significant regions for the Company: For the US, Latin America and Europe, the International Monetary Fund ("World Economic Outlook", WEO, January 2019) forecasts growth of +1.6% on average for the eurozone, and more than +2.0% for the US, Latin America and the Caribbean, over the coming years.

3.- OUTLOOK FOR THE NEAR FUTURE

Following the sale of OHL Concesiones, S.A.U., the Company currently has:

- i) A liquidity position of more than EUR 1,000 million,
- ii) with overheads of approximately EUR 150 million across the entire organisation, and
- iii) profits from operations in the last quarter.

In light of the above, 2019 will be focused on cash generation, profitability and improving the efficiency of projects, aspects that will be complemented by risk management and control mechanisms to supervise the projects from the bidding phase onwards.

Particularly in Spain, public tendering increased in all autonomous communities at the beginning of 2019, with aggregate growth of 92.5% with respect to the beginning of 2018 (SEOPAN: "X-Ray January 2019"). This increase in public tenders has given rise to new contracts for the OHL Group in the first few months of the year:

- i) Reinforcement in maritime works, using the Group's Cubipod innovative technology in the construction of the south sea wall of Naos in the Port of Arrecife (Lanzarote), through its subsidiary SATO for EUR 8.1 million.
- ii) Commitment to private developers with the award of several building projects for an amount exceeding EUR 70 million (i.e. expansion and refurbishment of the Viladecans hospital and the construction of several buildings earmarked for administrative and hotel use, via a private concession initiative).

In this regard, OHL's portfolio is expected to continue to be strengthened in 2019 through the award of building contracts that have sustainable certifications (LEED), and an expected significant volume of new railway projects.

OHL has notable worldwide experience in all types of construction projects, which places the company in a privileged position in the planned new tender.

4.- COMPANY PERFORMANCE

Revenue totalled EUR 608,727 thousand in 2018, of which 53.9% related to direct construction work and the remaining 46.1% to work executed by unincorporated temporary joint ventures (UTES).

The breakdown by type of activity is as follows:

Business activity	Thousands of euros				
	2018	%	2017	%	% change
Construction in Spain	267,776	44.0	260,939	37.1	2.6
Construction abroad	340,951	56.0	442,759	62.9	(23.0)
Total sales	608,727	100.0	703,698	100.0	(13.5)

In 2018, 58.9% of **revenue** stemmed from the public sector and the remaining 41.1% from the private sector.

The **loss from operations** amounted to EUR (836,396) thousand.

The **profit after tax** amounted to EUR 382,824 thousand.

At year-end **share capital** amounted to EUR 171,929 thousand, represented by 286,548,289 fully subscribed and paid bearer shares of EUR 0.60 par value each.

On 9 January 2018, the Extraordinary Annual General Meeting approved a capital reduction of EUR 7,326 thousand through the retirement of 12,210,709 treasury shares.

The Company's **equity** totalled EUR 954,210 thousand at year-end.

The short-term **backlog** at 31 December 2018 amounted to EUR 1,812,948 thousand, representing 35.7 months of activity, with a significant international component, comprising 58.3 % of the total.

The distribution, by type of activity, is as follows:

Business activity	Thousands of euros				
	2018	%	2017	%	% change
Construction in Spain	756,396	41.7	759,801	32.0	(0.4)
Construction abroad	1,056,552	58.3	1,614,051	68.0	(34.5)
Total backlog	1,812,948	100.0	2,373,852	100.0	(23.6)

48.5% of this backlog relates to direct construction work and the remaining 51.5% to work to be executed by UTEs.

The average headcount in 2018 was 5,804, 33.7% of whom were permanent employees and the remaining 66.3% were temporary employees.

The information relating to the average payment period and the ratios of transactions settled and transactions not yet settled at 31 December 2018 and 2017 is as follows:

	Days	
	2018	2017
Average period of payment to suppliers	63	60
Ratio of transactions settled	60	59
Ratio of transactions not yet settled	76	63

The Company is implementing measures for the purpose of achieving the statutory ratio of transactions not yet settled, since its ratio exceeds the number of days established by law.

In addition to the foregoing relating to the Company's performance, as head of the OHL Group, the Company prepares information required by Royal Decree-Law 18/2017, of 24 November, relating to non-financial and diversity information in the consolidated directors' report published together with the OHL Group's consolidated financial statements, which are authorised for issue by the Board of Directors on the same date and submitted for approval by the shareholders at the Annual General Meeting.

5.- TREASURY SHARES

At 2018 year-end the Company held 511,811 treasury shares with a total value of EUR 370 million thousand.

The changes in treasury shares in 2018 and 2017 were as follows:

	No. of shares	Thousands of euros
Balance at 31 December 2016	11,961,801	46,145
Purchases	16,100,595	63,937
Sales and deliveries	(15,530,457)	(61,444)
Balance at 31 December 2017	12,531,939	48,638
Purchases	24,897,366	65,592
Sales	(24,706,785)	(66,840)
Amount retired due to capital reduction	(12,210,709)	(47,020)
Balance at 31 December 2018	511,811	370

6.- DEVELOPMENT

In 2018 the Company invested EUR 144 thousand in development projects and incurred expenditure of EUR 1,465 thousand. Also, EUR 19,678 thousand relating to 39 research and development projects were capitalised to “Intangible Assets - Development Expenditure” in the balance sheet as at 31 December 2018, whose carrying amount net of amortisation was EUR 4,702 thousand.

7.- MAIN RISKS AND UNCERTAINTIES

Financial risks are those that mainly affect the obtainment of necessary financing when required and at a reasonable cost and the maximisation of the available financial resources. The most significant risks are as follows:

- Interest rate risk.
- Foreign currency risk.
- Credit risk.
- Liquidity risk.

Interest rate risk

Interest rate fluctuations change the future flows from assets and liabilities tied to floating interest rates.

The Company finances its operations using fixed- or floating-rate financial products and, based on estimates of the trend in interest rates and of debt structure targets, it either performs hedging transactions by arranging derivatives to mitigate these risks, also conducting a sensitivity analysis in this connection, or it arranges fixed-rate financing.

No derivative financial instruments had been designated as hedges of the Company's total debt at 31 December 2018, and bank borrowings tied to fixed interest rates, mainly debt associated with bond issues, represented 97.11%.

The sensitivity of the Company's earnings to an interest rate increase of 0.5%, without taking into consideration bank borrowings tied to fixed interest rates, would have an impact of EUR 99 thousand on the Company's pre-tax loss.

Foreign currency risk

Foreign currency risk management is centralised and various hedging mechanisms are applied to minimise the impact of the changes in foreign currencies against the euro.

The foreign currency risks basically arise on:

- Debt denominated in foreign currencies arranged by the Company or its branches abroad.
- Payments to be made in international markets for procurements or non-current assets.
- Payments receivable from projects tied to currencies other than the Company's functional currency or that of its branches.
- Investments in foreign subsidiaries.

The Company arranges currency derivatives and currency forwards to hedge significant future transactions and cash flows, in keeping with acceptable risk limits.

Also, the net assets stemming from net investments in foreign branches with a functional currency other than the euro are exposed to the risk of exchange rate fluctuations on the translation of the financial statements of these foreign branches during the integration process.

Non-current assets denominated in currencies other than the euro are financed in that same currency with a view to creating a natural hedge.

Credit risk

Credit risk is the probability that a counterparty to a contract does not meet its contractual obligations, giving rise to a loss.

The Company has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Company obtains information on its counterparty through independent company valuation agencies, other public sources of financial information or its own relationships with customers and third parties.

The Company's financial assets exposed to credit risk are:

- Non-current financial assets.
- Hedging instruments.
- Trade and other receivables.
- Current financial assets.
- Financial assets included in "Cash and Cash Equivalents".

The balances of these items constitute the Company's total exposure to credit risk.

The credit risk of financial hedging instruments with a positive fair value is limited by the Company, since derivatives are arranged with highly solvent banks with high credit ratings and no single counterparty concentrates significant levels of total credit risk.

The balances of trade receivables for sales and services are made up of a high number of customers from various industries and geographical areas.

In all cases, customers are assessed prior to entering into contracts. This assessment includes a solvency study. Over the course of the contract term, changes in debt are monitored on a constant basis and the recoverable amounts are reviewed, and valuation adjustments are recognised whenever necessary.

Liquidity risk

This risk is managed by maintaining adequate levels of cash and marketable securities as well as by arranging and maintaining sufficient financing lines to cover all financing needs and to maintain at all times adequate levels of financial flexibility for the Company's activity.

In order to improve this liquidity position, the Company takes measures in relation to:

- Constant management of working capital, and in particular, active management of collections from customers in respect of trade and other receivables.
- Optimisation of the financial position through ongoing monitoring of cash projections.
- Management of the arrangement of financing lines in capital markets.

The Company presents in the notes to the financial statements the repayment schedule at 31 December 2018, of which EUR 29,523 thousand mature in 2019.

The Company's liquidity position at 31 December 2018 consisted of:

- Cash and cash equivalents amounting to EUR 495,852 thousand.
- Drawable credit lines and discount facilities amounting to EUR 324 thousand.

The **multi-product syndicated financing (MSF) agreement dated 30 December 2016, which was** amended and approved on 30 March 2017 and amended on 28 June 2017, 29 November 2017 and 22 February 2018, had an aggregate amount of EUR 684,000 thousand, for the issue of guarantees (EUR 402,000 thousand), reverse factoring (EUR 92,000 thousand) and a revolving credit line (EUR 190,000 thousand).

On 11 April 2018 a novation agreement was arranged under which certain essential terms and conditions of the agreement were amended, such as:


- 1) Authorisation for the sale of all of the shares of OHL Concesiones, S.A.U.;
- 2) Authorisation for the Company to use the total amount of the guarantees and reverse factoring facilities.
- 3) Placement of restricted deposits totalling EUR 372,000 thousand (EUR 280,000 thousand in securities for the bank guarantees and EUR 92,000 thousand in securities for reverse factoring), instead of the pledge of the ownership interest in OHL Concesiones, S.A.U.

Following the sale of all the ownership interest in OHL Concesiones, S.A.U. to IFM Global Infraestructura (IFM), which took place on 12 April 2018, the net funds arising from the sale were used to:

- i. Repay, in April 2018, substantially all of the bank borrowings totalling EUR 701,700 thousand (including the revolving line of credit from the MSF amounting to EUR 190,000 thousand).
- ii. Redeem, on 21 May 2018, bonds of EUR 228,300 thousand (25% of the outstanding total amount) in response to the exercise by the bondholders of the put option that they had held as a result of the sale of OHL Concesiones.
- iii. Distribute, on 6 June 2018, an interim dividend for 2018 of close to EUR 100,000 thousand (EUR 0.348981 per share);
- iv. Increase, with the remaining income from the sale, the cash and current financial assets balance, which at 31 December 2018 amounted to EUR 1,036,916 thousand.

Subsequently, the following novation of the **multi-product syndicated financing agreement occurred:**

1. **Novation on 3 October 2018** in which the following was agreed:
 - Extend the maturity date to 31 March 2019.
 - Reduce and partially cancel 50% of the amount available under the guarantee facility, which amounted to EUR 351,556 thousand.
 - Reduce the restricted deposits placed in April 2018 (which totalled EUR 372,000 thousand) until the deposits account reaches EUR 140,000 thousand.

- 
- Cancel fully the reverse factoring facility, freeing up the funds held in escrow.
 - Maintain a minimum restricted amount in the deposits account of at least EUR 140,000 thousand from that date onwards.
 - Place a deposit of EUR 160,000 thousand in a reserve account available from the Company to provision the deposit account at any time and/or for any use other than those mentioned above, provided that it had the written consent of all the guarantors.

The multi-product syndicated financing agreement was novated on 28 March 2019, which extended the maturity date to 30 June 2019. The other conditions were not amended and the negotiations with the banks continued.

All the actions carried out by the Company were aimed at mitigating liquidity risk and, following the significant disposals in 2018, the Group's significant liquidity, with cash and current financial assets of EUR 1,036,916 thousand, guarantees the normal development of its operations.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

ANNEX I

<p>ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES</p>
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<p>ISSUER'S PARTICULARS</p>

END OF FISCAL YEAR DATE: 31/12/2018

EMPLOYER'S IDENTIFICATION NUMBER: A-48010573

CORPORATE NAME: **OBRASCON HUARTE LAIN, S.A.**

REGISTERED OFFICE: PASEO DE LA CASTELLANA, 259 D. TORRE ESPACIO MADRID

A. - OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
09/01/2018	171,928,973.40	286,548,289	286,548,289

Indicate if there are different classes of shares that carry different rights:

Yes ☐ No ☒

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or company name of shareholder	% of voting rights attributed to shareholder		% of voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
DEUTSCHE BANK, A.G.	2.20	0.00	2.04	0.00	4.24
INMOBILIARIA ESPACIO, S.A.	0.00	38.32	0.00	0.00	38.32
SYSTEMATICA INVESTMENTS LIMITED	0.00	0.00	1.85	0.00	1.85

Indirect ownership interest:

Name or company name of indirect shareholder	Name or company name of direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights
INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	30.64	0.00	30.64
INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	7.68	0.00	7.68

Indicate the most significant movements in the shareholder structure during the year:

Most significant movements:
<p>Pursuant to the information published on the National Securities Market Commission (CNMV) website:</p> <p>SOCIETE GENERALE, S.A.: 17-12-18: Decrease of 0% share capital</p> <p>SANTANDER ASSET MANAGEMENT, S.A. SGIIC: 07-6-18: Increase of 5% share capital 26-10-18: Decrease of 5% share capital 15-11-18: Decrease of 3% share capital</p> <p>INVESCO LTD: 28-8-18: Decrease of 2% share capital 05-10-18: Decrease of 1% share capital</p> <p>INMOBILIARIA ESPACIO, S.A.: 06-2-18: Indirect increase of 40% share capital through its 100% subsidiary Grupo Villar Mir, S.A.U. 27-02-18: Indirect increase of 45% share capital through its 100% subsidiary Grupo Villar Mir, S.A.U. 31-5-18: Indirect decrease of 45% share capital through its 100% subsidiary Grupo Villar Mir, S.A.U. 07-6-18: Indirect decrease of 35% share capital through its 100% subsidiary Grupo Villar Mir, S.A.U. 07-6-18: Decrease of 40% share capital</p> <p>HENGISTBURY INVESTMENT PARTNERS LLP: 07-6-18: Decrease of 3% share capital</p> <p>HENGISTBURY MASTER FUND LIMITED: 07-6-18: Decrease of 3% share capital 08-8-18: Decrease of 2% share capital 13-9-18: Decrease of 1% share capital</p> <p>SYSTEMATICA INVESTMENTS LIMITED: 23-10-18: Increase of 1% share capital 16-11-18: Decrease of 2% share capital</p> <p>The interest of Espacio Activos Financieros, S.L.U. is made by means of equity swap with: - Societe Generale, S.A.: 5.94% - Natixis, S.A.: 1.74%</p>

A.3 Fill out the following tables on the members of the company's Board of Directors who hold voting rights over shares in the company:

Name or company name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% of voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JOSE ANTONIO FERNANDEZ GALLAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the Board of Directors	0.00
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MR. José Antonio Fernández Gallar owns 3,860 shares representing 0.001% of share capital.

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business, except for those detailed in section A.6:

Related name or company name	Type of relationship	Brief description
GRUPO VILLAR MIR, S.A.U., OBRASCON HUARTE LAIN, S.A.	Contractual	Loans with:(i) An amount of EUR 83,878 thousand for a loan to Grupo Villar Mir, S.A.U., related to the price paid in 2016 for the acquisition of Pacadar S.A.U. which, as a result of the termination thereof, was formalised as financial loan. This loan has been secured through a pledge of 100% of shares in Pacadar S.A.U. accruing interest at 5.0% per annum, and (ii) an amount of EUR 35,223 thousand for a loan to Pacadar, S.A.U., accruing interest at 5.0% per annum, and an additional guarantee from Grupo Villar Mir, S.A.U. This loan has been acquired to OHL Concesiones, S.A.U. as a result of the put option of 100% of its share capital. As for the loans granted to Grupo Villar Mir, S.A.U. and Pacadar, S.A.U., both are due and payable, and the Company has already initiated the legal claim of the loan amounting to EUR 35,223 thousand.

A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or its Group, unless they have scant relevance or arise from the ordinary course of business:

Related name or company name	Type of relationship	Brief description
INMOBILIARIA ESPACIO, S.A.	Contractual	Relationships formed between Inmobiliaria Espacio, S.A., including its group companies, and the Company and its Group during the 2018 fiscal year have been contractual in nature and have been executed under market conditions and have been reported in detail in Section D herein.

A.6 Describe the relationships, unless they are of little relevance to both parties, which exist between significant shareholders or representatives on the board and the directors, or their representatives in the case of corporate directors legal persons acting as directors

Explain, where applicable, how significant shareholders are represented. Specifically, any directors who have been appointed on behalf of significant shareholders are to be indicated, those whose appointment was supported by significant shareholders, or who are related to significant shareholders and/or entities in their group, specifying the nature of such relationships. In particular, mention will be made, where appropriate, of the existence, identity and position of the board members, or representatives of board members, of the listed company, who are, in turn, members of the governing body, or their representatives, in companies which hold significant shareholdings in the listed company or in group entities of these significant shareholders:

Name or company name of associated director or representative	Name or company name of significant associated shareholder	Company name of the significant shareholder's group company	Description of relationship/position
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ARINVER, S.L.U.	Representative of the Sole Director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 20, S.L.U.	Sole Director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	General Legal Representative
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	Representative of the Sole Director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	ESPACIO INFORMATION TECHNOLOGY, S.A.	Joint and several administrator
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	FERTIBERIA, S.A.	Vice-chairman and CEO

Name or company name of associated director or representative	Name or company name of significant associated shareholder	Company name of the significant shareholder's group company	Description of relationship/position
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GESTION INTEGRAL DE SERVICIOS INMOBILIARIOS, S.L.U.	Representative of the Sole Director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	Representative natural person of Deputy Chairman and CEO
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	Representative natural person of Deputy Chairman and CEO
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PLAYAS ESPAÑOLAS, S.A.U.	Representative of the Sole Director
JUAN VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	Chairman and CEO
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	FONDO CULTURAL VILLAR MIR, S.L.	Chairman
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	Representative natural person of Director
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	Representative natural person of Director
SILVIA VILLAR-MIR DE FUENTES	INMOBILIARIA ESPACIO, S.A.	PROMOCIONES Y PROPIEDADES INMOBILIARIAS ESPACIO, S.L.U.	Director
JAVIER GOÑI DEL CACHO	INMOBILIARIA ESPACIO, S.A.	FERTIBERIA, S.A.	Executive Chairman
JAVIER GOÑI DEL CACHO	INMOBILIARIA ESPACIO, S.A.	FERTIAL, SPA	Chairman
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ALNAB, S.A.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CALATRAVA RE, S.A.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 18, S.L.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	CARTERA VIMIRA 21, S.L.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO ACTIVOS FINANCIEROS, S.L.U.	Representative of the Sole Director

Name or company name of associated director or representative	Name or company name of significant associated shareholder	Company name of the significant shareholder's group company	Description of relationship/position
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO ADRIANO, S.L.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO INFORMATION TECHNOLOGY, S.A.	Joint and several administrator
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO AVIATION MAINTENANCE, S.L.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	ESPACIO FALCON, SLU	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	FONDO CULTURAL VILLAR MIR, S.L.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	FORMULA JET, S.L.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	GRUPO VILLAR MIR, S.A.U.	General Legal Representative
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	HIDRO NITRO ESPAÑOLA, S.A.U.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	INMOBILIARIA ESPACIO, S.A.	General Legal Representative
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	PACADAR, S.A.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	VILLAR MIR ENERGÍA, S.L.U.	Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	GVM EMISIONES 1, S.A.U.	Representative of the Sole Director
MANUEL GARRIDO Y RUANO	INMOBILIARIA ESPACIO, S.A.	TORRE ESPACIO GESTION, S.L.U.	Representative of the Sole Director

A.7 Indicate whether the company has been notified of any shareholders agreements that may affect it pursuant to Sections 530 and 531 of Companies Law. Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes ☐

No ☒

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable

Yes ☐ No ☒

Expressly indicate any amendment to or termination of such agreements or concerted action during the fiscal term:

- A.8 Indicate whether any natural or legal persons currently exercise control or could exercise control over the company in accordance with article 5 of the Securities' Market Law. If so, identify:

Yes ☐ No ☒

- A.9 Fill out the following tables on the company's treasury shares:

At year-end:

Number of shares held directly	Number of indirect shares (*)	Total % on share capital
511,811	0	0.18

(*) Through:

Name or company name of direct holder of ownership interest	Number of shares held directly
No data	0

Explain significant changes during the year

Explain significant changes

Date of publication / No. shares / % Treasury shares

12.01.2018 / 12,531,939 / 4.195
07.03.2018 / 311,370 / 0.109
16.04.2018 / 366,222 / 0.128
04.06.2018 / 394,177 / 0.138
18.07.2018 / 396,625 / 0.138
24.09.2018 / 378,900 / 0.132
20.11.2018 / 478,020 / 0.167

22.11.2018 / 500,430 / 0.175
11.12.2018 / 506,811 / 0.177
31.12.2018 / 511,811 / 0.179

A.10. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

Pursuant to Article 146 of the Companies Law, the Annual General Meeting held on 21 June 2016, resolved to authorise the Company's Board of Director to acquire treasury shares under any transfer mode approved by law, directly or through a subsidiary or affiliated company, up to the maximum amount legally accepted. The authorisation has 5 years duration and the shares shall be acquired at a maximum price of EUR 60 per share, with no minimum price limit and voids for the unused part, the authorisation granted to this end in the General Meeting held on 27 May 2015.

Pursuant to Article 146. 1a) of the Companies Law, acquired shares may be granted to company employees or directors according to remuneration or as a result of timely agreed options or shareholding plans.

Furthermore, there is an agreement approved by the Annual General Meeting held on 12 May 2014 delegating to the Board of Directors the power to issue shares under the provisions of Article 297 of the Spanish Companies Law, and the power to agree, on one or more occasions, the capital increase of the Company with pre-emptive rights of subscription. In this regard, it has authorised the Board of Directors so that it may increase the share capital at the deemed moment and amount, without having to consult the General Meeting, on one or more occasions, at any moment, during a period no longer than five years from the date of this Meeting, for the maximum provided under law, that is, for EUR 29,922,282.6, being equivalent to half of the then capital, through the issuance of new shares (with or without premiums) consisting of the equivalent value of the new shares to be issued in cash contributions.

The Board of Directors may establish the terms and conditions of the capital increase, to freely offer shares not subscribed within the preferential subscription period, resolving that, in the event of an incomplete subscription, the capital shall be increased only by the amount of the subscribed shares and that the Articles of Association relating to the capital and shares be redrafted.

Likewise, the Board of Directors may request for the admission to trading, on official organised secondary markets, either domestic or foreign, of the new shares issued under this delegated power, whereby the Board may conduct the necessary formalities and actions, for the admission to trading, before the competent bodies of the various domestic or foreign securities markets.

A.11 Estimated floating capital

	%
Estimated floating capital	59.65

A.12 Explain any restrictions (in the bylaws, in Law, or any other) on the transfer of securities and/or on voting rights. Specifically, indicate the existence of any restrictions on the takeover of the company by means of share purchases on the market, as well as those schemes of previous notice that may be applicable on the Company's financial instruments acquisitions or transfers according to the industrial regulations.

Yes ☐ No ☒

A.13 State if the General Meeting has resolved to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007.

Yes ☐ No ☒

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☐ No ☒

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B. - GENERAL SHAREHOLDERS' MEETING

B.1 State if there are differences with the quorum provisions of the Companies Law in respect of General Meetings. If so, give details.

Yes ☐ No ☒

B.2 State if there are differences with the rules laid down in the Companies Law regarding the adoption of resolutions. If so, give details:

Yes ☐ No ☒

B.3 Indicate the rules governing amendments to the company's Bylaws. Specifically, the required majorities for amending the bylaws shall be informed, as well as the provisions set forth for safeguarding the rights of the shareholders during the bylaw amendments, as the case may be.

Pursuant to the provisions of Article 17 of the Bylaws, in order to make any amendments to the Bylaws, the shareholders' meeting, on the first call, must be attended by shareholders or proxies holding at least fifty percent of the subscribed share capital entitled to vote. On the second call, attendance by twenty-five percent of the Company's capital share entitled to vote shall suffice.

If shareholders attend that represent twenty-five percent or more of the subscribed Capital entitled to vote, without reaching fifty percent of the share capital, the adoption of the agreement shall only be validly adopted with the favourable vote of two thirds of the capital present or represented by proxy at the Shareholders' Meeting.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and those related to the previous year:

	Attendance data				
Date of Annual General Meeting	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic vote	Other	
21/06/2016	29.05	30.37	0.00	0.00	59.42
Of which floating capital	0.00	2.70	0.00	0.00	2.70
09/05/2017	38.20	12.99	0.00	0.00	51.19
Of which floating capital	0.00	9.11	0.00	0.00	9.11
09/01/2018	43.36	16.29	0.00	0.00	59.65
Of which floating capital	0.00	7.32	0.00	0.00	7.32
26/06/2018	30.84	20.93	0.02	0.00	51.79
Of which floating capital	0.00	3.10	0.00	0.00	3.10

ELECTRONIC VOTE:

General Shareholders' Meeting 21.06.2016: 0.005126%
General Shareholders' Meeting 09.05.2017: 0.005695%
General Shareholders' Meeting 09.01.2018: 0.003016%

B.5 Indicate, if any, the items in the agenda of any of the General Shareholders Meetings held during the year not approved by the shareholders for any reason:

Yes ☐ No ☒

B.6 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the Annual General Meetings or to exercise the remote vote.

Yes ☐ No ☒

B.7 Indicate whether decisions, other than statutory, involving acquisitions, disposals or contributions of key operating assets to other companies, or other similar corporate transactions must be submitted to the General Shareholders' Meeting for approval:

Yes ☐ No ☒

B.8 Indicate the address and mode of accessing corporate governance content on the company's website as well as other information on Annual General Meetings which must be made available to shareholders on the website:

Website: www.ohl.es

Information on Corporate Governance: path: OHL/info accionistas e inversores/Gobierno Corporativo

Other disclosures on Annual General Meetings: path: OHL/info accionistas e inversores/Gobierno

Corporativo/Junta General de Accionistas

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Detail the maximum and minimum number of directors as per the bylaws:

Maximum number of directors	13
Minimum number of directors	7
Number of directors set forth by the General Meeting	10

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	Representative	Director's condition	Board office	Date of first appointment	Date of last appointment	Procedure for election
JUAN VILLAR-MIR DE FUENTES		Proprietary	CHAIRMAN	25/06/1996	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING
SILVIA VILLAR-MIR DE FUENTES		Proprietary	FIRST DEPUTY CHAIRMAN	15/01/2008	12/05/2014	AGREEMENT ON ANNUAL GENERAL MEETING
JOSE ANTONIO FERNANDEZ GALLAR		Executive	DEPUTY CHAIRMAN CHIEF EXECUTIVE OFFICER	28/06/2018	28/06/2018	COOPTION
CARMEN DE ANDRES CONDE		Independent	DIRECTOR	09/07/2018	09/07/2018	COOPTION
JAVIER GOÑI DEL CACHO		Proprietary	DIRECTOR	09/05/2017	09/07/2018	AGREEMENT ON ANNUAL GENERAL MEETING
CESAR CAÑEDO-ARGÜELLES TORREJON		Independent	DIRECTOR	09/07/2018	09/07/2018	COOPTION
JUAN ANTONIO SANTAMERA SANCHEZ		Other Non-Executive	DIRECTOR	23/06/2016	09/05/2017	AGREEMENT ON ANNUAL GENERAL MEETING
JUAN JOSÉ NIETO BUESO		Independent	DIRECTOR	14/11/2016	09/05/2017	AGREEMENT ON ANNUAL GENERAL MEETING
MANUEL GARRIDO Y RUANO		Proprietary	DIRECTOR	23/06/2016	09/05/2017	AGREEMENT ON ANNUAL GENERAL MEETING
REYES CALDERON CUADRADO		Independent	DIRECTOR	27/05/2015	27/05/2015	AGREEMENT ON ANNUAL GENERAL MEETING

Total number of directors	10
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Indicate the terminations occurred in the Board of Directors due to resignation, dismissals or other reasons, during the reporting period:

Name or corporate name of director	Director's condition upon removal	Date of last appointment	Termination date	Specialist committees on which he/she was a member	Indicate whether the termination occurred before the end of the tenure
JUAN LUIS OSUNA GÓMEZ	Executive	09/01/2018	28/06/2018		SI
MÓNICA SOFÍA DE ORIOI ICAZA	Independent	08/05/2012	26/06/2018	Appointments and Remuneration Committee	NO
ÁLVARO VILLAR-MIR DE FUENTES	Proprietary	21/06/2016	26/06/2018		SI
IGNACIO MORENO MARTINEZ	Independent	09/05/2017	09/07/2018		SI
JOSE LUIS DíEZ GARCÍA	Independent	21/06/2016	09/07/2018	Audit and Compliance Committee	SI

Reasons for termination and other comments
<p>Mr. Juan Luis Osuna tendered his voluntary resignation for personal reasons and informed of such during his presentation acting in the capacity of Chief Executive Officer at the Annual General Meeting held on 26 June 2018.</p> <p>Mr. Álvaro Villar-Mir de Fuentes voluntarily resigned, in support of the resolution approved by the Annual General Meeting to reduce the number of directors from 12 to 10, while also maintaining the current proportion of non-executive proprietary, independent and executive directors at the date of the aforementioned agreement.</p> <p>Mr. José Luis Díez García and Mr. Ignacio Moreno Martínez voluntarily resigned, after the resizing of the board membership, in order to make way for technical improvements of the board with the appointment of directors with extensive and recognised experience and knowledge in the construction sector.</p> <p>Mónica Sofía de Oriol Icaza appointment expired on the date of the Annual General Meeting on 26 June 2018.</p>

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Office per Company organisation chart	Profile
JOSE ANTONIO FERNANDEZ GALLAR	Second Deputy Chairman and CEO	Holds a degree in Civil Engineering specialising in hydraulics and energetics from Higher Technical College of Civil Engineers (ETS de ICCP) of Madrid. Master in Management of Building and Real Estate Companies (MDI). Chairman of Centro Canalejas - Madrid.

Total number of executive directors	1
% of the board	10.00

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or corporate name of director	Name or company name of significant shareholder represented or proposing appointment	Profile
JUAN VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	Degree in Economic and Business Sciences from the Universidad Autónoma of Madrid He is Vice-chairman and CEO of Inmobiliaria Espacio, S.A. and Grupo Villar Mir, S.A.U. He is Deputy Chairman of Fertiberia S.A.
SILVIA VILLAR-MIR DE FUENTES	GRUPO VILLAR MIR, S.A.U.	Degree in Economic and Business Sciences from the London American College (Summa cum laude). Currently, she is director of Inmobiliaria Espacio, S.A. and Grupo Villar Mir S.A.U.
MANUEL GARRIDO Y RUANO	GRUPO VILLAR MIR, S.A.U.	Civil Engineer from the Polytechnic University of Madrid, graduated with distinction, and MBA from the French business school INSEAD. He has been the CFO of the Villar Mir Group since 2003 and holds various positions of responsibility within the Villar Mir Group, a holding company

Name or corporate name of director	Name or company name of significant shareholder represented or proposing appointment	Profile
		he joined in 1996 as Director of Planning and Finance at Ferroatlántica. Previously, he had worked as a consultant at the US consultancy firm McKinsey & Company. Since 2014, he has been a professor of Leadership and Communication for postgraduate courses at CUNEF and, since 2017, a professor of Corporate Finance for the Master of Banking Regulation at the University of Navarra.
JAVIER GOÑI DEL CACHO	GRUPO VILLAR MIR, S.A.U.	Holds a degree in Economics and Business Law from ICADE and an MBA from INSEAD (Fontainebleau). A former partner at McKinsey & Company. In 2002 he joined the ranks of Fertiberia, S.A. where he has held various positions. Currently he is the company's executive chairman. He is chairman of the Spanish Association of Fertiliser Manufacturers (ANFFE) and chairman of the association Fertilizers Europe. He is also a professor at the University of Nebrija.

Total number of proprietary directors	4
% of the board	40.00

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
CARMEN DE ANDRES CONDE	Civil Engineer, first woman in Spain to graduate with this degree. She has gained experience in the public sector (MOPU, Ministry of Industry and Energy and SEPI), where she has held executive positions in the area of technology and innovation, as well as in the private sector (Uralita and Tysa). She is the founder and current CEO of Creatividad y Tecnología, a company dedicated to technology consulting.
CESAR CAÑEDO-ARGÜELLES TORREJON	Civil engineer. He has successfully led projects, such as Prointec, where he held the position of chairman from 1990 to 2013, at a time when he was in charge of the merger with Soluziona (the Unión Fenosa Group). Since 2013, he has been the chairman of Inse Rail. It has won various awards: ICCP College Medal of Honour (2005), medal of professional merit from ETS de ICCP (1995) and medal of honour from the Spanish Roads Association (2013).
JUAN JOSÉ NIETO BUESO	Holds a Degree in Business Administration from ICADE and has completed studies at the London Business School and Stanford University. Some of his professional experience was gained at Goldman Sachs and Bankers Trust and he has been the CEO at Antena 3, Chair of Telefonica Media and General Manager of Telefonica, among other companies. He is currently the Chairman of the investment company NK5. He is a member of the Board of Directors of Navarra de VBA Real Estate Socimi. Furthermore, he is a member of the Advisory Board of Banco Sabadell Este and the Havas Media.
REYES CALDERON	Holds a Degree in Economics and Business Administration, Doctorate in Economics and Ph.D., specialising in Board Leadership, from the University of Navarra. She is a

CUADRADO	Professor of Corporate Governance at the University of Navarra. She has been Board of Directors' Secretary at Instituto de Empresa y Humanismo; Independent Director of the Corporación Pública Empresarial de Navarra. She has also been visiting lecturer at Hass School (University of Berkeley), at the School of Economics at the University College of London and La Sorbonne, Paris; Dean of the Faculty of Economics and Business Science at University of Navarra, and Director of the University's Reputation Department.
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Total number of proprietary directors	4
% of the board	40.00

Indicate whether any independent director receives any sums of money or benefits from the Company or from the Company's group, other than the directors' remuneration, or whether he or she currently has or formerly had, over the last year, a business relationship with the Company or with any Group company, whether on his/her behalf or as a significant shareholder, director or senior executive of an entity currently or formerly maintaining such a relationship.

If so, please include a well-founded statement by the Board of Directors regarding the reasons why it considers this director suitable to perform duties as an independent director.

Name or corporate name of director	Description of the relationship	Reasons
CARMEN DE ANDRES CONDE	No	N/A
CESAR CAÑEDO-ARGÜELLES TORREJON	No	N/A
JUAN JOSÉ NIETO BUESO	No	N/A
REYES CALDERON CUADRADO	No	N/A

MR. César Cañedo-Argüelles Torrejón is Chairman and significant shareholder of INSE RAIL, S.L., and has provided technical engineering services to some OHL Group companies, reported as related operations in the section D.3 herein.

OTHER NON-EXECUTIVE DIRECTORS

Other non-executive directors will be identified, and reasons will be provided on why these other non-executive directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

Name or corporate name of director	Reason	Company, officer or shareholder with whom relation is maintained	Profile
JUAN ANTONIO SANTAMERA SÁNCHEZ	In accordance with the recommendation of the Appointments and Remuneration Committee, to maintain the same proportion between the non-executive proprietary and independent directors, while there is no legal obligation to do so, Grupo Villar Mir, S.A.U. communicated to the Company that Mr. Juan Antonio Santamera had been removed from his position as proprietary director in representation of the significant shareholder Grupo Villar Mir, S.A.U., whereby reducing its representation on the Board of Directors, however, it had proposed to maintain Mr. Santamera as a director due to his professional qualifications and his contributions to the Company during his appointment, issued with the favourable opinion of the Appointments and Remuneration Committee which classified the post as "other non-executive" after assessing the requirements for the designation of the classification.	GRUPO VILLAR MIR, S.A.U.	Doctorate in Civil Engineering from the Polytechnic University of Madrid and Degree in Economic and Business Sciences from UNED. Master Degree in Territorial Planning from the Polytechnic University of Madrid, Master Degree in Town Planning from the Institute of Local Government Studies (Instituto de Estudios de la Administración Local) and Master Degree in Budget Analysis Techniques in the public sector from the Institute for Fiscal Studies. He is chairman of the College of Civil Engineers (Colegio de Ingenieros de Caminos, Canales y Puertos) and of the Roads Foundation (Fundación Caminos).

Total number of other non-executive directors	1
% of the board	10.00

Indicate any variations in the status of each director that may have occurred during the year:

Name or corporate name of director	Date of change	Previous status	Current status
JUAN ANTONIO SANTAMERA SÁNCHEZ	09/07/2018	Proprietary	Other Non-Executive

C.1.4 Fill out the following table with the information regarding the number of female directors during the last 4 fiscal years, as well as the nature of those female directors:

	Number of female directors				% of total directors of each type			
	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015
Executive directors					0.00	0.00	0.00	0.00
Proprietary directors	1	1	1	1	25.00	16.67	16.67	16.67
Independent members	2	2	2	3	50.00	50.00	50.00	75.00
Other non-executive					0.00	0.00	0.00	0.00
Total	3	3	3	4	30.00	25.00	50.00	33.00

C.1.5 State whether the company has any diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, according to the definition contained in the Auditing Act, are to report, as a minimum, on the policy they have established regarding gender diversity.

Yes ☒ No ☐ Partial policies ☐

If so, describe these diversity policies, their objectives, any measures and how they have been implemented and their results for the fiscal year. Also state the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse membership of directors.

If the company does not implement its own diversity policy, explain why not.

Description of the policies, objectives, measures and the way in which they have been implemented, as well as the results obtained

The company has set rules on the integration and management of diversity that covers the entire OHL Group. In 2017, the Board of Directors approved a Selection Policy for directors with the following measures:

- ensure that the selection of candidates always considers people that are well-established, competent and experienced and that takes into consideration the knowledge, skills, background and merits of the proposed candidate, as well as their commitment to perform and dedicate themselves to the role of director.

- especially, ensure that, when filling vacancies, the selection process has no biases so as to hinder the appointment of female directors and to intentionally seek women to be potential candidates to fill the role.

The Appointments Committee will assist in the achievement of this objective, so that by 2020 at least 30% of the Board members will be female directors.

During the fiscal year 2018, the diversity criteria established under the Director Selection Policy were applied to appoint new members for the Board of Directors of the Company that have a broad range of ages, education and training and varied professional experiences to also achieve the objective of having at least 30% female Board members.

- C.1.6. Explain the measures that would have been decided by the Appointments Committee, as the case may be, so that the selection processes are free of implicit biases hindering the selection of female directors, and so that the Company may deliberately headhunt and include among the potential candidates, women with the sought-after professional profile, allowing a balance between female and male directors:

Explanation of measures

The Board Regulations and the Directors Selection Policy state that the Appointments and Remuneration Committee shall be especially responsible for avoiding all kinds of biases that may hinder the appointment of female directors when a position opens up and for deliberately seeking women that may potentially cover those positions. In compliance with this principle, the Appointments and Remuneration Committee collects from its members and external advisors the nomination of female candidates that a priori are able to meet the professional and speciality requirements that are deemed relevant in each case to cover the open positions in question.

If in spite of the measures that have been adopted, as the case may be, the number of female directors is low or nil, please provide the reasons:

Explanation of the reasons

The Appointments and Remuneration Committee complied with the intention of filling vacancies on the board through the selection process that deliberately searches for women who are potential candidates.

On 9 July 2018, the Board of Directors at the proposal of the Appointments and Remuneration Committee, appointed Carmen de Andrés Conde to fill the vacancy resulted from the resignation of Ignacio Moreno Martínez.

- C.1.7 Explain the Appointments Committee's conclusions on compliance verification of the directors selection policy. In particular, how the policy is promoting the objective that by 2020 the number of female directors represents at least 30% of total board members.

At 31 December 2018, the Board of Directors had already accomplished the goal of female members in the Board established for 2020, by which the number of female directors is to be at least 30% of the total number of members. The percentage representing the 3 female directors is 30% of all the Board members, which is clearly much greater than the 17% Spanish average as indicated in expert studies.

The Appointments and Remuneration Committee continues to ensure that the procedure does not have any implicit biases that make it difficult for female directors to be selected, which has been accomplished during the 2018 fiscal year.

- C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Name or company name of shareholder	Reason
No data	

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If so, explain why these requests have not been entertained.

Yes ☐

No ☒

C.1.9 Indicate what powers, if any, have been delegated by the Board of Directors to Board Directors or Committees:

Name or company name of Board or Committee:	Brief description
JOSE ANTONIO FERNANDEZ GALLAR	All of the powers of the Board of Directors, save for those that cannot be delegated pursuant to law and the provisions of Article 5 of the Board Regulations, including: approval of the Company's general strategies and basic criteria for organisation, annual management objectives and budgets; Investment and financing policy; structure of the group of companies; Corporate governance policy; organisation and operation of the Board; the corporate social responsibility policy; Dividends and treasury shares policy; appointment, compensation, and, if applicable, dismissal of Company's senior executives; control of executives' management and evaluation; identification of Company's main risks and, and implementation and follow-up of internal control systems, risk management systems and appropriate information management systems; Policy on information and communication with shareholders, markets and the public opinion, paying special attention to the financial information listed companies must periodically disclose; the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens; and, in general, any other transactions involving Company's substantial assets and the large corporate transactions, ; and all the other provisions specifically stated in these Regulations.

C.1.10 Identify, as appropriate, the board members who hold office as directors, directors' representatives or executives at other companies forming part of the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Does he hold any executive positions?
JOSE ANTONIO FERNANDEZ GALLAR	ALSE PARK, S.L.	Chairman	NO
JOSE ANTONIO FERNANDEZ GALLAR	CENTRO CANALEJAS MADRID, S.L.	Chairman	NO
JOSE ANTONIO FERNANDEZ GALLAR	PROYECTO CANALEJAS GROUP, S.L.	Chairman	NO
JOSE ANTONIO FERNANDEZ GALLAR	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Chairman	NO
JOSE ANTONIO FERNANDEZ GALLAR	PROMOCIÓN DE CONCESIONES, S.L.U.	Chairman	NO
JUAN VILLAR-MIR DE FUENTES	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Director	NO
MANUEL GARRIDO Y RUANO	ALSE PARK, S.L.	Director	NO

C.1.11 Indicate, if any, the directors, representatives of directors who are legal persons of their companies, board members or representatives of directors who are legal persons of other listed companies of the group, informed to the Company:

Name or corporate name of director	Name of listed company	Position
JUAN VILLAR-MIR DE FUENTES	FERROGLOBE PLC	DIRECTOR
MANUEL GARRIDO Y RUANO	FERROGLOBE PLC	DIRECTOR

C.1.12 Indicate and, where appropriate, explain whether the Company has established rules about the number of boards on which its directors may sit, identifying in each case the source of regulation:

Yes ☒ No ☐

Explanation of the rules and identification of the source of regulation

Pursuant to the Company's Board of Directors Regulations, in general and save exception duly justified by the Appointments and Remuneration Committee, members of more than five managing committees cannot be proposed as directors.

C.1.13 Indicate the amount of the following items related to the total Board of Directors' remuneration:

Remuneration accrued in the year for the Board of Directors (thousands of euros)	22,584
Amount of the pension rights accumulated by current directors (thousands of euros)	
Amount of the pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify the senior executives who are not executive Directors, and indicate the total remuneration accrued for them during the year:

Name or corporate name	Position
MANUEL ALVAREZ MÚÑOZ	GENERAL MANAGER OF OHL GROUP
FRANCISCO JAVIER MELIA FULLANA	GENERAL MANAGER OF DEVELOPMENTS
JOSÉ EMILIO PONT PEREZ	GENERAL MANAGER FOR EUROPE AND LATIN AMERICA
JOSE MARIA LOPEZ DE FUENTES	GENERAL MANAGER OF INFRASTRUCTURES DEVELOPMENT
JOSE ANTONIO DE CACHAVERA SANCHEZ	GENERAL MANAGER OF SERVICES
JOSE MARÍA DEL CUVILLO PEMÁN	LEGAL ADVICE GENERAL MANAGER
JOSE MARIA SAGARDOY LLONIS	CHIEF FINANCIAL OFFICER
GONZALO TARGHETTA REINA	GENERAL MANAGER OF ORGANISATION AND CORPORATE RESOURCES
IGNACIO CANO TOROLLO	GENERAL MANAGER OF HUMAN RESOURCES AND GENERAL SERVICES
ASHOK PATEL	GENERAL MANAGER FOR NORTH AMERICA

Total remuneration received by Senior Executives (thousands of euros)	12,728
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The total amount of the reported remuneration for the senior management includes the amounts received by Alfonso María Gordon García, Alfonso Carlos Orantes Casado de Amezúa, Andrés Pan de Soraluce Muguiro, Enrique Weickert Molina and Ignacio Botella Rodríguez were terminated their employment relationship in the fiscal year 2018.

C.1.15 Indicate the amendments, if any, to the Board Regulations during the year:

Yes ☒ No ☐

Description of changes

The General Shareholders Meeting held on 26 June 2018 approved the amendment of several articles of the current corporate by-laws, of which the main change consisted in the introduction of article 24 on "Directors of the Company" within Chapter III of the By-Laws. This amendment was based mostly on the recent pronouncement of the Supreme Court on 26 February 2018 regarding matters of director remuneration. This Ruling amends the interpretation, which up until now had been based on the Revised Text of the Spanish Capital Companies Act (LSC) on this subject matter. This amendment has required that the corresponding changes be made to article 27 of the Regulations of the Board of Directors.

Furthermore, the Board of Directors considered it appropriate to include, within the rules established for the organisation and performance of the Board of Directors, the possibility of the directors to attend Board meetings and Committee meetings via telephone conference, videoconference or any other similar means, where it proposed the amendment of article 23 of the By-Laws, which meant that article 18 of the Regulations of the Board of Directors had to also be amended.

C.1.16 Indicate the procedures for the appointment, re-election and removal of directors. List the competent bodies, procedures and criteria used for each of these procedures.

Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-optation are preceded by a proposal or report by the Appointments and Remuneration Committee. The Appointments and Remuneration Committee will attempt to ensure that the members elected are competent, solvent and experienced (art. 20 Board Regulations), and in the cases of re-election it shall assess the quality of the work and dedication of the directors to their office (art 21 Board Regulations).

Directors removal shall be effective at the end of the Period for which they were appointed, and when so resolved by the Annual General Meeting or the Board of Directors as per the powers legally or statutory granted. In addition, they must tender their resignation to the Board of Directors if they are disqualified on the grounds pursuant to the Board Regulations, upon prior report by the Appointments and Remuneration Committee.

C.1.17 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities.

Description of changes

The 2018 annual assessment did not result in any significant change for the internal organisation or procedures and internal efforts have continued to ensure that the decision-making process is still efficient and suitable.

Describe the assessment process and the areas evaluated by the Board of Directors assisted, if necessary, by an external consultant, regarding the operation and composition of the Board and its committees, as well as any other area or item subject to assessment.

Description of the assessment process and the areas evaluated
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The assessment process was based on the board members answering a questionnaire similar to the one conducted in 2016, and with the assistance of an external consultant, with issues relating to the structure and performance of their responsibilities and effectiveness, the performance of the Board, the Chairman, the Secretary and its Committees, as well as the Remuneration Policy.

The conclusions of the questionnaire are detailed in a report that has been presented to the Board of Directors for review.

C.1.18 Describe, for the case of the fiscal years in which the assessment has been assisted by an external advisor, the business relationships maintained by the advisor or any company of his or her group with the Company or any of its group companies.

During the 2016 fiscal year, the Company conducted an evaluation process to the Board of Directors and its Committees, which included the support and external advisory services of PwC, on issues relating to the quality and effectiveness of the duties and performance of the Board of Directors and its Committees, where the areas being evaluated, among others, were the structure, membership and performance of the Board of Directors and its Committees, the roles and performance of the governing bodies, the performance of the Chairman and other appointments, as well as the remuneration policy.

C.1.19 Indicate the cases in which directors must resign.

Pursuant to Article 23 of the Board Regulations, directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events:

- a) Proprietary directors, when transferring their equity interest.
- b) Upon removal from executive positions to which their appointment as director is linked.
- c) When they are disqualified on the grounds of conflict of interest with those of the company or any other legal grounds.
- d) When indicted for any presumed crime or when subjected to disciplinary measures for serious or very serious breach determined by supervising authorities.
- e) When seriously reprimanded by the Audit and Compliance Committee upon breaching of director's obligations.
- f) When their continuity in the Board can jeopardise the interests of the Company or when the reasons for their appointment no longer apply.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

C.1.21 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes ☐ No ☒

C.1.22 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes ☐ No ☒

C.1.23 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent directors other than that established in the relevant rules:

Yes ☐ No ☒

C.1.24 Indicate whether the Bylaws or board regulations stipulate specific rules on delegation of the vote in the board in favour of another director, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been set forth regarding the right delegating conditions beyond the limitations established by law. If so, briefly describe those rules.

Directors who cannot attend the meeting shall delegate their vote in favour of a member of Board of Directors of the same group (non-executive/executive), including the corresponding instructions (Article 18 of the Board of Directors Regulations).

C.1.25 Indicate the number of Board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	15
Number of board meetings held without the Chairman's attendance	0

Indicate the number of board meetings held during the year and how often the Board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of meetings	0
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Indicate the number of meetings of the various board committees held during the year:

Committee	Number of Meetings
AUDIT AND COMPLIANCE COMMITTEE	17
APPOINTMENTS AND REMUNERATION COMMITTEE	18

C.1.26 State the number of meetings held by the Board of Directors during the year, with the information about the attendance of its members:

Number of meetings with the attendance of at least 80% of its members	15
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% attendances of total votes during the reporting period	83.00
Number of meetings with the attendance in person or by proxy with specific instructions of all directors	15
% votes issued with attendance in person or by proxy with specific instructions of total votes during the reporting period	100.00

C.1.27 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously.

Yes ☒ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Position
JOSE MARIA SAGARDOY LLONIS	CHIEF FINANCIAL OFFICER

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditors' report.

The financial statements, as for the rest of the periodic financial information or any other information that is required to be made available to the markets, are examined by the Committee for Audit and Compliance at a meeting before that in which the external auditors report on the progress of their auditing tasks. Subsequently, the financial statements are re-examined during a final session in which the external auditors report on their forecast of the audit report, all in accordance with the provisions of Article 15 of the Regulations of the Board of Directors. Additionally, the Audit and Compliance Committee during any of its ordinary meetings would be assisted by the external auditors, where necessary, to identify or clarify any discrepancy by providing, where appropriate, any additional information so as to avoid any other qualified opinion.

Finally, the auditors presented their forecast report before the Board of Directors, which met for the preparation of the financial statements.

Article 42 of the Regulations states that the Board of Directors shall produce the financial statements leaving room for amendments by the auditor, a recommendation that the Company has been compliant with since being listed on the securities market.

C.1.29 Is the Board Secretary a director?

Yes ☐ No ☒

Complete the following table if the secretary is not a director:

Name or corporate name of secretary	Representative
JOSE MARÍA DEL CUVILLO PEMÁN	

C.1.30 Indicate and explain, where applicable, the particular mechanisms implemented by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies, including the means of implementation of the legal provisions.

One of the tasks attributed to the Audit and Compliance Committee is to gather information on matters that may call the auditor's independence into question, as well as any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards. The Committee examines the independence of such report at an annual meeting, while paying particular attention to the amounts for fees relating to services other than auditing. Pursuant to Article 42 of the Board of Directors Regulations, the latter shall not hire those audit firms whose fees for all concepts may exceed 10% of its overall revenues during the last period.

With regard to the outsourcing of financial analysts, investment banks and rating agencies pay particular attention to maintaining their independence during the contractual process should any of such undertake a role in the regular activity of the Company.

C.1.31 State whether the Company has changed its external auditor during the period. If so, identify the incoming audit firm and the outgoing auditor.

Yes ☐ No ☒

Explain any disagreements with the outgoing auditor and the reasons for the same:

Yes ☐ No ☒

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes ☒ No ☐

	Company	Group companies	Total
Amount of non-audit work (in thousands of euros)	169	385	554
Amount of non-audit work as a % of the total amount billed by the audit firm	20.24	36.95	29.52

C.1.33 State whether the audit report on the Approved financial statements for the previous year contained reservations or qualifications. Indicate the reasons given by the Chairman of the Audit Committee to the shareholders of the General Shareholders Meeting to explain the content and scope of those reservations or qualifications.

Yes ☐ No ☒

C.1.34 Indicate the number of Fiscal years that the current audit firm has been uninterruptedly auditing the consolidated and/or separated financial statements of the Company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Separated	Consolidated
Number of consecutive years	31	29
Number of years audited by current firm/number of years the company or its group have been audited (as a %)	100.00	100.00

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes ☒ No ☐

Details of the procedure

The required documentation and information subject to analysis or approval at each Board of Directors and Board Committee meetings, along with the minutes of each meeting, is made available to the directors with sufficient time via a personal digital platform, which is exclusively accessible by the board members.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be.

Yes ☒ No ☐

Details of the procedure

Directors must report all legal, administrative, and any sort of claims that because of their importance may seriously affect the Company's reputation, tendering their resignation to the Board of Directors and formalizing it if deemed appropriate when, among other cases, they are prosecuted for an allegedly criminal act or subject to disciplinary proceedings instructed by the supervisory authorities for a serious or very serious offense.

C.1.37 State whether any Board member has advised the Company that he or she has been prosecuted or ordered to stand trial for any of the criminal offences referred to in Section 213 of the Companies Law:

Yes ☐ No ☒

C.1.38 State any significant agreement entered into by the Company which may come into force, be amended or terminated in the event of a change of control of the Company due to a takeover bid, and its outcomes.

N/A.

C.1.39 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries	10
Type of beneficiary	Description of the resolution
1 EXECUTIVE DIRECTOR, 9 SENIOR MANAGEMENT	TERMINATION BENEFITS FOR UNFAIR DISMISSAL: CHIEF EXECUTIVE OFFICER: 2 annual payments. SENIOR MANAGEMENT: according to each contract, the legal amount related to an ordinary relationship with a minimum of 1 annual payment or a fixed amount. NON-COMPETITION AGREEMENT: CHIEF EXECUTIVE OFFICER: duration of 1 year, receiving one annual payment. SENIOR MANAGEMENT: according to each contract, duration of 1 or 2 years, receiving 1 or 2 annual payments according to the duration or for a fixed amount.

State whether or not, beyond the cases set out in the regulations, such agreements have to be reported and/or approved by the decision-making bodies of the company or its group. If so, specify the procedures, established cases and the nature of the decision-making bodies responsible for approving or reporting them:

	Board of Directors	Annual General Meeting
Body approving clauses	Yes	

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?		X

C.2. Committees of the Board of Directors

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other non-executive directors.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
JUAN JOSÉ NIETO BUESO	CHAIRMAN	Independent
CESAR CAÑEDO-ARGÜELLES TORREJON	MEMBER	Independent
MANUEL GARRIDO Y RUANO	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% Other non-executive directors	0.00

Explain the functions, including, where appropriate, any extra ones provided for by law, attributed to this committee and describe the procedures and rules for its organisation and functioning. For each of these functions, state the most important actions carried out during the year and how each of the functions attributed, whether by law, under the by-laws or other corporate resolutions, have effectively been performed.

See section H.1.

Identify any directors who are members of the audit committee and who have been appointed based on their knowledge and experience in the areas of accounting or auditing, or both, and report the date of appointment of the Chairperson of this committee.

Name of expertise directors	JUAN JOSÉ NIETO BUESO / MANUEL GARRIDO Y RUANO
Date of appointment of chairman in office	16/07/2018

Name	Position	Category
REYES CALDERON CUADRADO	CHAIRMAN	Independent
CARMEN DE ANDRES CONDE	MEMBER	Independent
JUAN VILLAR-MIR DE FUENTES	MEMBER	Proprietary
JUAN ANTONIO SANTAMERA SÁNCHEZ	MEMBER	Other Non-Executive

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	50.00

% Other non-executive directors	25.00
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Explain the functions, including, where appropriate, any extra ones provided for by law, attributed to this committee and describe the procedures and rules for its organisation and functioning. For each of these functions, state the most important actions carried out during the year and how each of the functions attributed, whether by law, under the by-laws or other corporate resolutions, have effectively been performed.

See section H.1.

- C.2.2 Fill out the following table with the information regarding the number of female directors in the Board of Directors' committees during the last four years:

	Number of female directors							
	Fiscal year 2018		Fiscal year 2017		Fiscal year 2016		Fiscal year 2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	0	0.00	1	33.00	1	33.00	1	33.00
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00	2	40.00	1	33.00	2	66.00

- C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board committees are governed by the Board Regulations and an updated version is available on the Company's website: www.ohl.es (path OHL/info accionistas e inversores/Gobierno Corporativo/Comisiones del Consejo).

At its meeting on 29 March 2017, the Board of Directors resolved to assign the Appointments and Remuneration Committee the roles of Corporate Social Responsibility and Corporate Governance that the Audit and Compliance Committee had been fulfilling up until such date, whereby modifying, accordingly, Articles 14 and 15 of the Regulations of the Board of Directors.

Both committees approve their Annual Activity Report on a yearly basis.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain and identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

The Board committees are governed by the Board Regulations and an updated version is available on the Company's website: www.ohl.es (path OHL/info accionistas e inversores/Gobierno Corporativo/Comisiones del Consejo).

At its meeting on 29 March 2017, the Board of Directors resolved to assign the Appointments and Remuneration Committee the roles of Corporate Social Responsibility and Corporate Governance that the Audit and Compliance Committee had been fulfilling up until such date, whereby modifying, accordingly, Articles 14 and 15 of the Regulations of the Board of Directors.

Both committees approve their Annual Activity Report on a yearly basis.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Sales of goods (finished or in progress)	388
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Sales of goods (finished or in progress)	1,120
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Sales of goods (finished or in progress)	52,900
INMOBILIARIA ESPACIO, S.A.	OHL-SERVICIOS INGESAN, S.A.U.	Contractual	Sales of goods (finished or in progress)	472
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Sales of goods (finished or in progress)	2

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	COMERCIAL DE MATERIALES DE INCENDIO, S.L.U.	Contractual	Sales of goods (finished or in progress)	22
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.U.	Contractual	Sales of goods (finished or in progress)	5
INMOBILIARIA ESPACIO, S.A.	PUBLIC LIMITED COMPANY, WORKS, SOLE SHAREHOLDER COMPANY	Contractual	Sales of goods (finished or in progress)	51
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services rendered	1,470
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Services rendered	52
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Interest paid	5,112
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Interest paid	601
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Interest paid	132
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of goods (finished or in progress)	77
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Purchases of goods (finished or in progress)	2,660
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Purchases of goods (finished or in progress)	2,538
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Services received	3,561

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	AGRUPACIÓN GUINOVART OBRAS Y SERVICIOS HISPANIA, S.A.U.	Contractual	Services received	30
INMOBILIARIA ESPACIO, S.A.	ASFALTOS Y CONSTRUCCIONES ELSAN, S.A.U.	Contractual	Services received	12
INMOBILIARIA ESPACIO, S.A.	CONSTRUCCIONES ADOLFO SOBRINO, S.A.U.	Contractual	Services received	12
INMOBILIARIA ESPACIO, S.A.	OHL-SERVICIOS INGESAN, S.A.U.	Contractual	Services received	10
INMOBILIARIA ESPACIO, S.A.	CHEMTROL-PROYECTOS Y SISTEMAS, S.L.U.	Contractual	Services received	14
INMOBILIARIA ESPACIO, S.A.	CONSTRUCTORA DE PROYECTOS VIALES DE MÉXICO, S.A. DE C.V.	Contractual	Services received	109
INMOBILIARIA ESPACIO, S.A.	EYM INSTALACIONES, S.A.U.	Contractual	Services received	10
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Services received	1,116
INMOBILIARIA ESPACIO, S.A.	OHL ARABIA LLC	Contractual	Services received	50
INMOBILIARIA ESPACIO, S.A.	OHL COLOMBIA, SAS	Contractual	Services received	111
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL MINING AND CEMENT, S.A.U.	Contractual	Services received	4
INMOBILIARIA ESPACIO, S.A.	OHL INDUSTRIAL, S.L.U.	Contractual	Services received	43
INMOBILIARIA ESPACIO, S.A.	SOCIEDAD ANÓNIMA TRABAJOS Y OBRAS, UNIPERSONAL	Contractual	Services received	14

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Purchases of intangible assets	686
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Purchases of non-current financial assets	50,000
INMOBILIARIA ESPACIO, S.A.	AVALORA TECNOLOGÍAS DE LA INFORMACIÓN, S.A.U.	Contractual	Sales of property, plant and equipment	245
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Financing agreements: loans	10,349
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Financing agreements: loans	34,866
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Contractual	Financing agreements: other	542
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Contractual	Guarantees	10,544
INMOBILIARIA ESPACIO, S.A.	OHL-SERVICIOS INGESAN, S.A.U.	Contractual	Guarantees	18
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, DESARROLLOS, S.L.U.	Corporate	Dividends and other benefits distributed	1,663
INMOBILIARIA ESPACIO, S.A.	OBRASCON HUARTE LAIN, S.A.	Corporate	Dividends and other benefits distributed	42,683

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Name or corporate name of director or senior manager	Name or corporate name of related party	Relationship	Type of transaction	Amount (in thousands of euros)
CESAR CAÑEDO-ARGÜELLES TORREJON	INSE RAIL, S.L.	Contractual	Services received	19

D.4 Give details of significant transactions made by the Company with other companies of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and are not conducted within the course of the Company's ordinary business, as regards their subject-matter or terms and conditions.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of euros)
No data		N.A.

D.5 List any relevant transactions between the company or its group and with other related parties not reported in the above sections:

Company name of the related party	Brief description of the transaction	Amount (in thousands of euros)
No data		N.A.

D.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its directors, executives or significant shareholders.

The Regulations of the Board of Directors establishes, among others, as basic obligations arising from the duty of board member loyalty, to adopt the necessary measures so as to avoid any situations where their interests, either on their own account or someone else's account, may be in conflict with the company's interests and their duties towards it and specifically obliges the directors to abstain from:

- Making transactions with the Company except in the case of ordinary transactions made under standard conditions for customers and of little relevance, defined as those whose information is not necessary to express the true and fair view of the Company's equity, financial position and results.
- Using the Company's name or invoke their status as director to improperly influence the performance of private transactions.
- Making use of corporate assets, including confidential company information, for private purposes.
- Taking advantage of the Company's business opportunities.
- Obtaining benefits or remuneration from third parties other than the Company and its group related to the performance of their duties, except in the case of mere courtesy attentions.

- f) Developing self-employed or employed activities involving existing or prospective effective competition with the Company or otherwise placing them at a permanent conflict with Company's interest.
2. The foregoing provisions apply to cases where the beneficiary of any such prohibited actions or activities is a person related to the director.
3. In any case, the Directors shall inform the Board of Directors of any situation of conflict, either direct or indirect, in which such or the persons related to such may have with the interests of the Company.

Situations where there are conflicts of interest that involve the Directors shall be reported in the Notes to the Financial Statements.

The company may waive the foregoing requirements in individual cases authorising a director or a related person for a specific transaction with the company, the use of certain company assets, the exploitation of a specific business opportunity, or the attainment of an advantage or remuneration from a third party. Such authorisation must be approved by the general meeting when it relates to waiving the prohibition on gaining an advantage or remuneration from third parties, or when it affects a transaction the value of which exceeds ten percent of the company's assets. For all other cases, authorisation may also be granted by the Board of Directors, as long as the independence of those granting authorisation is guaranteed in relation to the Directors receiving any such authorisation. In addition, it will be necessary to ensure the authorised operation does not harm the company's assets or, where applicable, its execution under market conditions and process transparency. The obligation not to compete with the Company may only be waived in the event that no harm is expected to result for the company or where any harm is expected to be compensated by the expected benefits of a waiver. The waiver shall individually and expressly granted by the General Meeting. In any event, at the request of any partner, the General Meeting may resolve to suspend any director performing competitive activities when the risk of harm to the company becomes relevant. Exceptionally, when the use of company assets has been authorised, directors may be dispensed of the obligation to pay the consideration, but in such cases the economic advantage will be considered an indirect remuneration and must be authorised by the Board, subject to a report from the Appointments and Remuneration Committee. If the Director receives the economic advantage as a partner, the advantage will be acceptable only if the principle of equal treatment of shareholders is abided by.

The Council shall be informed, in any case, of economic or trade relations occurring between the Board Member and the Company.

Likewise, the Company's current procedural Rule for related-party transactions, requires that all persons receiving such (board members and senior management) to understand the procedure contained therein, to comply and to implement to the necessary measures to be adhered to by OHL and the Group.

D.7 Is more than one group company listed in Spain?

Yes ☐ No ☒

E RISK CONTROL SYSTEMS

E.1 Describe the risk management system in place at the company, including the tax risks.

OHL Group's Risk Management System works in a comprehensive and continuous manner, through operational divisions and corporate functional areas, consolidating this management at the Group level.

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including the tax system.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems".

The Board of Directors' role in the Risk Management System is to assume the responsibility and follow-up of the risk management system; approve the Group's risk management policy; uphold Management's commitment to improve performance in Risk management; review and approve OHL Group's risk Map; and issue guidelines on how to address risks so as to keep the level of exposure to them within the set limits of tolerance.

The Board carries out its supervisory work through the Audit and Compliance Committee (hereinafter, the "Audit Committee").

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by Law, the General Shareholders' Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in section 23 f) of the By-laws and Article 15 of Board Regulations, "overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit".

The specific work performed on the Audit Committee's Risk Management System focus on reviewing and approving the Group's risk management policy, the risk tolerance limits, the risk governance model and other documentation related to risk management, such as risk categories, valuation scales and risk maps; maintaining knowledge and an understanding of the set risk tolerance levels, of the main risks that can affect the attainment of the Group's objectives and of the actions that are being carried out to maintain the levels of exposure to risk within the set limits; to issue guidelines for the treatment of risks with the purpose of maintaining their exposure levels within the set tolerance levels; to keep a direct and independent line of communication open with the Risks and Internal Control Manager at least one every three months and whenever circumstances call for it, and ensure the implementation of adequate procedures to identify, analyse, assess, follow-up and report risks.

E.3 State the main risks, including tax risks, and insofar as those arising from corruption that are significant (the latter being understood under the scope of Royal Decree-Law 18/2017), which may affect the achievement of the business objectives:

The OHL Group's business is dependent upon specific elements impacting on the company due to their context and factors common to all other companies in the sector, including the global uncertainty affecting all companies.

The Group's Risk Management System considers all risks that can affect the achievement of the business objectives. These risks are classified into four large risk categories. Risk categories are defined risk groups that enable a consistent organisation of risk identification, evaluation, assessment and follow-up. The use of standardised risk categories in the Group enables aggregation of risks of the different Divisions in order to determine their global impact on the Group.

The risks that may affect the achievement of the business' objectives are classified as follows:

- 1.- Strategic Risks: They are related to the market and environment, to the diversity of markets/countries in which the Group operates, to those derived from partnerships and joint projects, to those arising from the Group's organisational structure, as well as to the risk's incidental to the Group's reputation and image.
- 2.- Operating risks: They are related to the Group's operating processes according to the value chain of each of the Group's Divisions. This category identifies more accurately those risks related to contracting and supply, subcontracting and suppliers, production, execution and operation, asset management, labour, environment, technology and systems, force majeure and fraud, and corruption.
- 3.- Compliance risks: They are related to the compliance with applicable legislation, with contracts with third parties and with the Group's internal procedures, rules, and policies.
- 4.- Financial risks: They are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

Specifically, during 2018, the following risks have been determined as priorities as they could have an impact on the performance of the Group's objectives:

- Liquidity risk and access to financial markets: understood as the capacity to comply with payment obligations or the difficulty of obtaining guarantees or required financing at an adequate time and at a reasonable cost.
- Staff risk: understood as the capacity to comply with the obligations of the projects with human resources needed in the appropriate moment and in an accurate manner.
- Reputational risk, defined as the potential negative impact on the Group's public image and its perception by the market. This risk refers specifically to any loss of financial solvency, technical, operational, ethical, social or environmental credibility of the organisation in relation to its stakeholders.
- Risk pertaining to the recognition of the investments made by the Group. This risk is defined as the customer's potential lack of or delay in the technical and economic recognition for the investment, for example, the potential delay or lack of recognition of executed works or economic-financial readjustment.
- Risk derived from the management of legal claims and arbitrations, defined as the risk that the outcome of proceedings or arbitrations due to discrepancies with customers results in decisions being detrimental to the interests of the Group.

Other relevant risks that may affect the fulfilment of the objectives of the OHL Group concern the global and inherent threats of the markets where it operates. Among these are:

- Political and regulatory risks: a large part of the value generation activities conducted by the OHL Group are dependent upon the Public Sector, in the capacity as a customer of public works or infrastructure maintenance services, or as the awarding authority for infrastructure concessions. For this reason, political instability and any changes made to the legal and regulatory environment in the countries in which the OHL Group operates can have a significant impact on the company's ability to achieve its business objectives.
- Foreign currency risk and local currency depreciation: defined as the unfavourable development of the exchange price of two currencies during a certain term, with effects on the profit or loss account. Likewise, it takes into account the risk of local currency losing purchase power.
- Risk of natural disasters: the OHL Group is subject to the risk having its activities interrupted due to natural disasters, such as earthquakes, hurricanes, floods and extreme weather events in the countries where it carries out the core of its activity and the nature of its activity.
- Cybersecurity risk: the OHL Group, like any other company, faces the risk of being adversely affected by cyber-attacks which could cause damages to its assets and systems, whereby interrupting operations or causing the leakage of sensitive information.

E.4 Identify if the company has a risk tolerance level, including the tax risk.

OHL Group has a risk tolerance level (level of acceptable risk) that is established at the corporate level.

Risk tolerance is the expression of the acceptable or unacceptable level of risk, as defined by Group OHL. Risk tolerance reflects OHL's willingness to accept the risk derived from its risk appetite. Risk capacity describes the Group's capacity to assume risks. The Group's risk capacity is based on its capacity to handle both the current risks as well as emerging ones, particularly financial, project and operating risks arising as a result of the main activities of the Group. The risk capacity includes the ability to make the most of opportunities, as well as the capacity to adapt to adverse situations or setbacks, or recover from catastrophes.

Risk tolerance focuses on the main risk areas faced by the Group, is included in OHL Group's Risk Management Policy

approved by the Group's Board of Directors. To determine the accepted level of risk, factors that are taken into considering include the philosophy towards risk-taking, the profitability-risk ratio, the main focus on risk response and the risk response decision-making criteria.

Likewise, in line with the Strategic Plan 2015 – 2020, the Group has determined for itself a risk tolerance level (risk level accepted in pursuit of sustainable and profitable growth that ensures cash generation) at project level. This translates into the creation of red lines with different levels involving approval ratings according to the risk level assigned.

At the specific risk level, OHL Group expresses its level of tolerance for key risks by valuing them based on their impact and vulnerability. Valuation scales are allocated to these risks, depending on a series of valuation criteria. After the risk assessment based on their impact and vulnerability, they are qualified. For each key risk, OHL Group establishes a level of tolerance through key risk indicator and handles it in such a way as to minimize its impact and/or vulnerability and keep it, as far as possible, below the set tolerance level, provided it is feasible and economically possible to do so.

E.5 Identify any risks, including tax risks, which have occurred during the year.

SEE SECTION H.1.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks, as well as the procedures applied by the Company in order to guarantee the response by the Board of Directors to the new challenges:

OHL Group acknowledges that there are certain risks inherent to the sectors in which it operates, and, therefore, in its core business activities. These risks are divided into:

- a) Untreatable Risks: Risks without economic mitigation possibility. An example would be the risk of a change in government or leadership in a country in which OHL Group does business.
- b) Treatable Risks: Risks that may be mitigated economically, where the efforts for its mitigation are being carried out or the need for those efforts is or should be acknowledged. An example would be the risk of hiring subcontractors that are not qualified, leading to the impossibility of delivering a project on time, within budget and according to the terms and conditions set forth in the agreement.

The risk responses to Treatable Risks can be classified as follows:

- Reduce: actions aimed at minimizing the impact and/or the vulnerability to the risk.
- Accept: actions aimed at maintaining the risk at acceptable levels.
- Share: actions aimed at sharing the risks with other third parties by hiring insurance, outsourcing processes, distributing risk through contracts or other similar actions.
- Avoid: actions aimed at eliminating, if possible, factors that give rise to risk.

For each one of the risks, a decision is made, as far as possible, with regard to the type of response to give and responsibilities are assigned for carrying this out in such a way that it is in line with the risk tolerance and that it is duly followed upon through the appropriate indicators.

The process used by OHL Group to manage its risks comprises seven stages. This process provides a logic and systematic method for establishing the context of, identifying, analysing, integrating, evaluating, responding to, monitoring and reporting risks in such a way as to enable the Group to make decisions and respond to risks and opportunities in a timely manner as they arise. The adopted process includes elements from ISO31000:2009 "Risk Management – Principles and Guidelines"; and from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) "Enterprise Risk Management – Integrated Framework" (2004). The seven stages of the Group's risk management system are briefly explained below:

- 1.- Reporting and consulting: This stage is an integral part of the creation of a positive culture on risk management within the OHL Group. By adopting a consultative approach for risk management, the parties involved understand the purpose of decision-making and the importance of such decisions when managing the OHL Group's risks, instead of there being a one-way information flow. On the other hand, the multilateral discussions with the parties involved in the risk management process guarantee the understanding and soundness of each step in such process.
- 2.- Establishing the context: This stage consists in setting the internal, external and risk management context in which the process will be carried out. Once the context is established, the OHL Group may focus its efforts on risk management based on the environment in which it operates and define the necessary categories of common risks, criteria and procedures for managing the OHL Group's risks as a whole.
- 3.- Identifying Risks: This stage is aimed at identifying the risks that may affect the achievement of the Group's objectives through categories of common risks, criteria and procedures developed in the "Establishing the context" stage. Whenever risks are to be identified, it is important to understand and document any factors which may trigger the risk events as well as any potential consequences. The identification of the risks and triggers and potential consequences is a first step towards the understanding of the OHL Group's exposure to risk.

4.- Analysing risks: This stage is aimed at understanding the scope of both the positive aspects and negative outcomes of a risk event, as well as the vulnerability to such event (likelihood of occurrence of said outcomes considering the current level of control). Evaluation of the scope (impact) and vulnerability to potential risks enables the OHL Group to prioritise its risks and, therefore, to respond to said risks, focusing on the ones that pose a greater threat to the attainment of its objectives.

5.- Evaluating risks: This stage is aimed at prioritising the risks for addressing or responding to them, by evaluating them against the present risk tolerance criteria. Understanding the level of exposure to risks in relation to risk tolerance enables decision-making on how to address risks optimising risk-taking and maximising the probability of achieving the objectives.

6.- Responding to risks: This stage is aimed at identifying, evaluating and implementing the options for addressing or responding to risks. Risks are addressed not only to minimise any potential damages, but also to maximise the growth potential of opportunities.

7.- Monitoring and reviewing: This last stage is aimed at carrying out a continuous evaluation of the effectiveness and relevance of the OHL Group's risk management programme. A continuous follow-up on the risks and effectiveness of their treatment enables the OHL Group to refine its risk management programmes to be in line with the dynamic context in which it operates.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (SCIIF)

Describe the mechanisms which comprise the internal control over financial reporting (SCIIF) risk control and management system at the company.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective SCIIF; (ii) its implementation; and (iii) its monitoring.

RESPONSIBILITIES ATTRIBUTED TO THE BOARD OF DIRECTORS:

The Board of Directors is the most senior decision-making body of the Company and, as detailed in section 5 e) of its Regulations, it takes on the obligation of being directly liable for the "identification of Company's main risks and, in particular, those arising from transactions with derivatives, and implementation and follow-up of internal control systems, risk management systems and appropriate information systems."

The Board of Directors has a supervisory role regarding the Financial Information Internal Control System, understanding the risks related to the financial information objectives of the Group and the controls set forth by the Board to mitigate them.

The Board carries out its supervisory work through the Audit and Compliance Committee (hereinafter, the Audit Committee) and the Internal Audit Division.

RESPONSIBILITIES ATTRIBUTED TO THE AUDIT COMMITTEE:

Notwithstanding any other duty imposed by Law, the General Shareholders' Meeting or the Board of Directors, the Audit Committee's responsibilities include the following, as indicated in section 23 f) of the By-laws and Article 15 of Board Regulations:

1.- Overseeing the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.

2.- Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible.

3.- Reviewing the Company's financial statements, monitoring compliance with legal requirements and the proper application of generally accepted accounting principles, and reporting on the proposals for amendments to the accounting principles and standards suggested by management.

RESPONSIBILITIES ATTRIBUTED TO THE SENIOR MANAGEMENT:

The General Economic and Financial Division is globally liable for the internal control system of the financial information of the Group. Such liability includes the design, implementation, and maintenance of the internal controls necessary to ensure the quality of the information. Said responsibility is included in the Duties' Manual and the Oversight Model of the Group's Financial Reporting System.

The head of each company and/or Division and its Economic and Financial Manager are responsible for the Internal Control System over Financial Reporting.

The Internal Control and Risk Division works closely with the General Economic and Financial Division to assess the impact of any reported incidents and to follow up on the execution of action plans for their resolution. This responsibility is laid down in the instructions on Maintenance and Reporting of the Financial Information System.

OHL Group's Internal Audit Division is responsible for checking the reliability of the risk management and internal control systems and the quality of information and, in particular, for reviewing the Internal Control System of Financial Information and the adequacy of the controls in place. This responsibility is laid down in the Internal Audit Regulations approved by the Board of Directors, in the Duties Manual and the Model of Overseeing the Group's Financial Reporting System.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

The Board of Directors has the policy of delegating the regular management of the Company to the executive bodies and the executive team, and to focus its activity on defining the business and organisational policy as well the general supervision duty.

In this sense, the CEO of the Group is responsible for the design and review of the organisational structure, who proposes any changes in the basic organisational chart for the Group.

The General Organisation and Corporate Resources Division, is liable for proposing the implementation of improvements to the organic structure of the Group, suggesting optimisation and efficiency measures thereof and defining the charts and the description of duties of the corporate structure of the Group.

The Chief Executive Officer is in charge of approving the basic organisation charts of the General Divisions under his supervision and proposing the Board of Directors the Group's organic model and structure, as well as its operating model.

The Appointments and Remuneration Committee is in charge, among other tasks, of proposing to the Board of Directors, the Steering Committee members' annual remuneration system and amount as well as the criteria for the remuneration of the rest of the Group's executive staff.

The Group has basic and detailed charts of its entire organisation. The Group's employees can access the basic and detailed charts of the whole organisation through the intranet.

Furthermore, there is a Duties' Manual updated on 05 November 2018, describing the reporting obligations, composition and basic duties of each governing body, structure and Group operating Divisions. Group employees may access said Manual through the intranet.

The Company's Chart and Duties' Manual are updated regularly and/ when the circumstances so require.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

SEE SECTION H.1.

- Whistle-blowing channel', for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Ethics Communication Channel is available in Spanish and English through the Group's corporate intranet and web site, enabling a great access.

The Group demands the staff's report of unlawful behaviours as it helps improve the prevention policy and quality policies, becoming an essential tool for the Code of Ethics to be fully effective.

OHL Group's Ethical Communications Channel has been created for all employees and other interested parties to report a possible non-compliance or breach of said Code, guaranteeing user confidentiality, with a procedure intended to do so. It may also be used to ask questions regarding its application to professional practice.

The Compliance Division is responsible for receiving and processing any complaint or inquiry submitted through the Ethical Channel, which is available through intranet and web site (www.ohl.es/compromiso/canal-etico) or ordinary mail (OHL Group's Ethical Communications Channel - Compliance Division: Pº Castellana, 259 D. Torre Espacio. 28046 Madrid.).

The Group's Ethical Communications Channel specifies, among others, the procedures for dealing with reports in order to guarantee confidentiality, fair treatment and avoid reprisals: Notification, analyses, investigation and resolution. Before the Audit Committee examines the reports, the Compliance Division collects all information deemed necessary to form an opinion about the possible existence of any indications for determining whether investigation proceedings should be initiated. This phase ends with the decision of the Ethics Channel Manager (Compliance Division) of acting on the complaint that must be approved by Audit Committee. In case of conflict of interest, proposal for rejection of the complaint or other urgent grounds, the complaint shall be reported to the Audit Committee.

After completing the investigation, the Compliance Division informs the Committee about the conclusions drawn from the reports prepared at this stage and puts forward the adoption of any measure deemed necessary for final resolution.

During 2018, a total of 62 complaints of potential breaches of the Ethic Code (as well as several enquiries) have been submitted to the Ethics Communication Channel, of which 51 had been made through the Ethics Communication Channel and the remaining 11 via other channels; 22 of these complaints were investigated and 40 were forwarded to other areas or divisions for not representing any violation of the Code of Ethics.

Every admitted complaint was duly investigated, and all the enquiries were responded, in line with the internal procedures in place, with fourteen investigations still underway by the end of the year.

Additionally, 181 hours of training were provided on the Due Diligence Process of third parties whose main objective is to explain in detail how to perform third party analyses for the three main perspectives (compliance, financial performance and technical performance), and in which 63 people have participated. This training shall continue in 2019 for the employees requiring it.

- Training and update courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

With regard to the regular training and update aimed at the staff involved in the preparation and review of the financial information, topics related to economic and financial improvements and updates have been included in the Group's training catalogue.

On the other hand, a digital file containing all the SCIIF's regulations, the Group's Accounting Policies Manual and other accounting regulations ordinarily used is available for all the senior staff responsible for the Group financial reporting. Likewise, all the internal regulations related to financial reporting and its processes can be accessed through the Group's intranet.

F.2 Financial Information Risk Assessment.

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

See section H.1.

- Whether the process covers all financial information objectives (existence and occurrence, completeness; valuation; presentation, disclosure and comparability; and rights and obligations), if it is updated and how often.

See section H.1.

- Whether a process is in place to define the consolidation scope, considering, without limitation, any complex corporate structures, special purpose vehicles or similar entities.

See section H.1.

- Whether the process considers the effects of other kinds of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See section H.1.

- Governance body in charge of supervising the process.

See section H.1.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

- F.3.1** Financial information review and authorisation procedures and ICFR description to be disclosed to securities markets, specifying responsible officers, and explanatory documentation of the flows of activity and control (including those relating to risk of fraud) of the various transactions which might materially affect financial statements, including the procedure for closing reporting periods, and specific review of relevant assessments, estimates, measurements and projections.

The Group has a detailed procedure for financial information disclosure to third parties so that both preparation and disclosure offer the maximum guarantees.

The Group's General Economic and Financial Division is liable for the preparation of financial information.

Before disclosure to the markets and after receiving a favourable report from its Audit Committee, the Board of Directors is liable for the approval of said financial information, analysing it and requesting any clarification it deems necessary, both internally and from the Group's external auditor.

These activities are conducted for both the interim, quarterly and half-yearly financial reporting, as well as annual reporting. The half-yearly and yearly reporting is subject to the approval of the Board of Directors.

The procedure for disclosure of financial information to third parties regulates how to act regarding other issues such as:

- Relevant facts
- Financial information for other securities markets
- Financial information for analysts and investors, financial institutions and rating agencies
- Statistics
- Tenders and offers
- Financial information required in agreements

Individuals in charge of preparing public financial information, authorisations, and those in charge of disclosure are established for each case.

DOCUMENTATION ON CONTROLS AND ACTIVITIES' FLOWS

To guarantee the information reliability it is key the analysis of critical processes and subprocesses affecting the preparation of such information in order to facilitate the abovementioned risk identification and implementation of controls. In these regards, the following work is carried out:

- 1.- Identification of critical processes, and subprocesses composing each one of them, which intervene, directly or indirectly, in the preparation of financial information for the companies included in the scope.
- 2.- Description of activities' flow with flowcharts of processes and subprocesses.
- 3.- Identification of key control activities that mitigate the risks identified which may affect the preparation of financial information identifying the person in charge of control, frequency of the activity, type of control (to detect or to predict), type of execution (manual or automatic) and its evidence.

In 2018 the review and update initiatives of processes and subprocesses have continued, with the identification of incidents and possible correction actions.

The documented processes include the process for closing of accounts, reporting and consolidation, which also include a specific review of the relevant opinions and estimates.

Information substantiating the ICFR of the Group is maintained in a digital format, which is also the database of all the material processes and subprocesses of the Group companies.

The Group has a GRC IT tool allowing the integrated management of the report and the oversight for all ICFR material processes and subprocesses of the Group companies within its scope.

The Group's Financial and Economic Department is responsible for updating the critical processes and activities, which also periodically informs the Audit Committee on the progress of the ICFR tasks and any improvement processes being carried out.

F.3.2 Internal control procedures and policies referring to information systems (including, among others, access security, change control, their implementation, continuity of operations, and segregation of duties) supported by the entity's relevant processes with regard to the preparation and publication of financial information.

OHL's internal control system over financial reporting encompasses the IT processes that include the environment, architecture and infrastructure of the information technologies, as well as any applications related to transactions that directly affect the main processes of the company and, therefore, the financial reporting and fiscal year closing processes.

The Group's Information Systems Department is responsible for the information systems, and its duties include the definition and follow-up of the security policies and standards for applications and infrastructures supporting the internal control model within the field of information technologies.

In reference to the internal control framework of information systems, areas related to security and control of access to programs and data, and to developments in applications in response to the Group's needs have been considered priority. With respect to these areas, the following items related to the applications supporting the financial reporting system are considered particularly relevant:

- Physical security of the Data Processing Centres.
- Roles and responsibilities matrices.
- Management of the demand for developments and functional changes.
- IT developments flow managements.
- Incident management.
- Management of the continuity of economic processes.
- Risk control computerization.

Additionally, during the 2018 fiscal year, actions were put in place to increase the control, monitoring and reporting of computer systems supporting business processes that have an impact on financial information, such as:

- In the area of infrastructure, work has continued on the review and improvement of the office data centres, improvements made to communications equipment with resources that can better monitor end-to-end traffic. Moreover, the standard model has been revised and improved for all users of computer equipment, based on the Group's defined security standards and by following the best industry practices.
- Also, the SCCM software tool has been implemented in order to increase and improve the control over computer equipment, as well as to automate the implementation of security patches, policies and software for the OHL Group's equipment. In line with this project, improvements and adjustments have been made to the Active Directory of the Group, based on a diagnosis requested by the software manufacturer, which has allowed for the establishment of an improvement plan and in accordance with the best market practices.
- In the area of applications, the implementation of the new ERP has been suspended until the company's restructuring has been completed, which was initially scheduled to start in 2018 to improve the monitoring, control and reporting of the OHL Group's financial information throughout all geographical regions. This restructuring has an impact on both the company's perimeter and processes, which will entail the project having to be revised under the new situation.

New phases have been contemplated within the implementation process of computer developments aiming at integrating security and privacy protection, as well as security and privacy requirements to be covered by the information systems so that security is contemplated from within the design phase. Moreover, the incorporation of ongoing improvements has continued in order to adapt to the business processes.

- Similarly, in the field of security, organisational changes have been completed for the assurance of regulatory compliance, imposed by Regulation (EU) 2016/679 of the Parliament European Union and of the Council of Europe, 27 of April 2016.
- Also, awareness-raising initiatives for information security and the proper use of systems have continued by means of informative videos and training courses (including training on the personal data protection) at the Group's companies.

F.3.3 Internal control policies and procedures aimed at supervising the management of outsourced activities, as well as those ASSESSMENT, calculation or measurement tasks assigned to independent experts, which may materially affect the Financial statements.

The Group has internal control procedures in place aimed at supervising the information included in the financial statements of the joint ventures (JV) in which it holds interest.

This procedure makes a difference between the joint ventures which are administered by the Group and those which are not. In the first case, when this information is managed in the Group's systems, the same controls as in the rest of the Group are applied.

When the Group is not responsible for the administration of the joint ventures, information review and unification processes are carried out, where necessary and the basic criteria are set by mutual agreement with the partners. In both cases, review activities are also performed through the representatives of the Joint Ventures' Management Boards.

With regard to the valuations when entrusted to independent experts, the criteria used are analysed to verify their adequacy and said valuations are stated in detail. In the event the reports are not conclusive or controversial aspects have been found, additional opinions are requested for their clarification.

For the rest of the relevant opinions, estimates and projections, a detailed reviewed is carried out, paying particular attention to the criteria upon which they are based in the medium and long term projections performed by the companies.

F.4 Information and Communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and keeping the accounting policies updated (accounting policies area or department), and of addressing any inquiry or settling any dispute arising from the interpretation thereof, maintaining a fluent communication with the persons responsible for the organisation's transactions, as well as an updated accounting policies manual that must be communicated to the units through which the Company operates.

ACCOUNTING PROCEDURES MANUAL

The Group has an Accounting Procedures' Manual with the purpose of highlighting the general accounting principles, valuation standards, and general accounting policies of the Group and specific policies of each Division, and it is mandatory for all OHL Group companies.

The responsibility of the internal implementation of the accounting policies rests with the Directorate of Economics and Finance of the Group.

In both cases, the Audit Committee is previously informed by the General Economic and Financial Division of any update to be made.

RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Board Regulations specify in section 15 i) that the Audit Committee has the basic responsibility for the following: "Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform about the proposals for changes in the accounting policies and methods suggested by Management."

This responsibility is accomplished by the Audit Committee as it entails being informed of the updates proposed by the Group's General Economic and Financial Division, as well as of accounting legislation, to be approved by the IASB, which may affect the Group.

This information is also compared with that of the Group's Auditors in periodic meetings held with the Audit Committee.

Additionally, reports raised by Internal Audit, which are also received by the Audit Committee, usually address the review of the proper application of the accounting principles by the departments or review projects within its work program.

- F.4.2. Criteria for collecting and preparing the financial information with standard formats, to be applied and used by all of the company's or group's units, which may support the main financial statements and notes, as well as SCIIF related information.

The Group has a financial reporting procedure for all Divisions managed by the Group's Economic and Financial Department. Said procedure describes the financial reporting models that the Group subsidiaries must send on a regular basis, indicating the persons responsible for their preparation and update.

Such procedure includes:

- Group's end of reporting period schedule.
- Standardised and mandatory monthly financial reporting, in most cases with information traceability, from the information system, following detailed instructions.
- Annual standardised financial reporting for preparation of the Group's Notes to the Financial Statements, following detailed instructions.
- Internal system of sending corporate information.

Any significant changes to the established procedure are reported to the Audit Committee.

SCIIF MAINTENANCE AND REPORTING

There is a maintenance and reporting procedure related to the SCIIF, for internal control purposes and with the aim of informing about its operation on a regular basis.

The persons responsible for updating and maintaining the SCIIF in the companies included within the scope of each of the continuous processes up-to-date, pursuant to a specified assignment of responsibilities.

Likewise, in order to facilitate internal knowledge about the degree of compliance with the SCIIF, a half-year reporting procedure was established.

The Reporting Model is submitted on a half-yearly basis to the Directorate of Economics and Finance of the Group, by the Chief Economic and Financial Officer responsible of each Group subsidiary.

F.5 System operation supervision

Indicate the existence of at least the following components, describing their main characteristics:

- F.5.1. The SCIIF supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function responsible for supporting the Committee in supervising the internal control system, including the SCIIF. Furthermore, information will be reported on the scope of the SCIIF assessment carried out during the fiscal year and on the procedure through which the assessor reports on its outcomes, as well as whether the company has an action plan describing any corrective measures, if applicable, and whether their impact on the financial information has been considered.

INTERNAL AUDIT DEPARTMENT

The Board of Directors created the Internal Audit Division in the Group in order to provide independent and objective assurance, internal control, and consultation services, in order to support the organisation in the effective performance of its responsibilities.

The Internal Audit Division forms part of OHL Group's organisation, although it is not an executive body, and is subject to the policies established by the Board of Directors through its Audit Committee.

The Internal Audit Division reports to the Audit Committee and this Division's basic roles are to:

- Review the truth, reliability, quality and integrity of the records and the financial and operating information, both internal and external. Verify the reliability and efficiency of the internal control and risk management systems, as well as the procedures. Specifically, to review the Financial Information Internal Control System and the sufficiency of the implemented controls.
- Provide information to the Board of Directors through the Audit Committee in order to facilitate the potential assessment on the adequate and efficient use of Group's resources.
- Supervise that risk management is aligned with OHL Group's policies and Code of Ethics.

- Verify the existence and status of assets and prove that measures to protect their integrity are adequate.
- Verify the existence of rules and procedures that duly govern the main activities and that allow for the correct measurement of the economy and their efficiency.
- Evaluate the degree of compliance with the standards, instruction and procedures established in the Group.
- Propose the amendments, reviews or adaptations of the documents mentioned in the above point that are necessary to improve operations.
- Review the OHL Group's new issue of internal regulations or their amendments, before their final approval.
- Verify the control systems for the compliance of the agreements established by OHL Group.
- Keep coordinated relations with external audit works, as a supplementary activity (not as a subsidiary or substitute activity).
- Make recommendations to contribute to the correction of anomalies detected in the course of the work and follow-up their execution.
- Prepare annual work schedules, activities' reports, among others, and keep them updated.
- Perform any specific task requested by the Chairman of the Audit Committee.
- An up-to-date inventory of fraud risks and their related controls, checking for the efficiency of said controls on a yearly basis.
- Performance and coordination of investigations of potential anomalies reported in the Ethic Channel or identified during the audit works.
- Take part in various Committees as a guest: Management, Investments, Regulation, Information security, Quality and Environment, Corporate Social Responsibility, Systems Implementation, etc.

All such duties are carried out by the members of the Internal Audit Division exclusively and will not be combined with other duties.

INTERNAL CONTROL AND RISK DIVISION

In order to promote internal control and risk management, the Group has the Internal Control and Risk Department, which reports to the Audit Committee. The main roles of this Division are:

- To coordinate, guide and support the strategic, operational, organisational and legislative actions concerning risk management across the Group.
- It establishes the methodologies and tools for preparing the Risk Map and identifies and prompts warnings for any changes in the likelihood and/or impacts of the identified risks.
- It leads the identification and analysis process of risks that may occur during the development of OHL activities, through the preparation and periodic updating of the Risk Map.
- In collaboration with the various activities, defines, implements and updates the risk management procedures that are deemed appropriate at a Group level.
- Timely reviews and analyses the Group's exposure to risks associated with transactions that are identified as relevant or unusual.
- Prepares the appropriate reports on OHL's risk position, which are made available to the Chief Executive Officer, the Audit Committee and/or the Board of Directors of OHL.
- Delivers training courses on and disseminates risk management policies at a Group level.
- Prepares proposals for action to reduce the level of, or exposure to, certain types of risks and to minimise their impact.
- Prepares a preliminary report on the presentation of offers and openings of offices or commercial branches in new countries and for any investments that have been proposed in new countries or in those in which the Group has had previous activity when the fund contribution amount made by the Group is greater than EUR 100 million.
- Prepares, documents and upkeeps the Internal Control System, which ensures credit risk mitigation of operational risks and financial information risks while the different business areas of the OHL Group comply with the measures.
- Identifies and communicates the Internal Control deficiencies detected.
- Prepares and presents the proposal on annual exposures and internal control planning to the Chief Executive Officer and the Audit Committee and reports periodically on its performance.

ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE IN THE YEAR 2018

The Audit Committee has the main purpose of supporting the Board of Directors in overseeing and supervising the Group's operation. Its main duties are:

- Monitor the preparation and presentation of financial information on a regular basis.
- Supervision of the efficacy of the internal control, the internal audit services and the risk management systems.
- Guaranteeing the independence of the external auditor and knowing their opinion on the significant weaknesses of the internal control system.

Audit Committee reviews all public financial information sent by the Group to the National Securities Market Commission, before approval by the Board of Directors and after publication, and gathers all clarifications it deems convenient from the Group's General Economic and Financial Division or from

any other responsible party.

During the meetings held, it reviews all reports issued by the Internal Audits Department on the Group companies, projects implemented directly or with external partners and the compliance with internal regulations and any other requested by such Committee, as well as reports issued by the Risk and Internal Control Division, on the content of the Annual Plan of the Internal Audit Department, which is approved every year by the Audit Committee is defined according to OHL Group's general and specific objectives, and the risks that can threaten its execution, giving priority to the matters requiring special attention in each functional area, which is why it includes the selection of the area, processes or activities in which:

- Possible contingencies for the OHL Group are detected.
- There has been a special problem before or there is any signal about a possible anomaly.
- A significant period has elapsed since the last audit performed.
- The Board of Directors or the Management of the OHL Group may identify such risks.

In order to plan audit activities, the Internal Audit Department pays special attention to the Risk Map, considering the potential impact of those risks on the process map.

In 2018, audits were performed in the Construction, Development, Industrial and Services Line of Business, covering the following processes:

- Construction works, concessions and industrial and service projects, including accounting/financial, operating and compliance aspects, from external and internal ruling perspectives.
- Creation of indicators/alerts on specific parameters thereof.
- Monitoring system of costs on works
- Financial Information Internal Control System (SCIIF)
- Prevention of money laundering
- Code of Ethics
- Efficiency of indirect costs
- Monitoring of Guarantees Committee red lines
- Fraud prevention – Inventories
- Fraud prevention – Engagement of advisors

Although cross-cutting activities were carried out in a fair number of additional geographies, the review of specific construction/concession and other projects was conducted in the following countries:

- United States of America
- Mexico
- Spain
- Chile
- Colombia
- Peru
- Czech Republic
- Algeria
- Norway
- Ireland
- Turkey
- Oman
- Uruguay
- Aruba
- Moldavia
- Saudi Arabia
- Qatar

Regarding the monitoring of the Financial Information Internal Control System, in 2018 control procedures have been audited by means of a sample thereof in several companies representing 74% of the Group's revenue. No significant failure has been identified through the internal audit.

Likewise, Internal Audit, which has a specialised fraud prevention and investigation unit, has carried out continuous actions in this same undertaking during the year.

During the 2018 fiscal year, the verification of compliance related aspects concerning Human Rights and the support of the relevant environmental parameters employed by the Group in reports related to sustainability have continued.

The appropriate corrective measures are carried out for all weaknesses or recommendations included in the reports. For relevant recommendations a regular follow up is implemented in the Steering Committee.

The actions taken are included in the Internal Audit Report submitted to the Audit Committee.

The implementation of any new internal regulation or policy is supervised by the Internal Audit Management, as well as any modification to an existing regulation or policy, guaranteeing consistency and compliance with policies set forth by the Board of Directors.

- F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. Likewise, it will report on the availability (or not) of an action plan aimed at correcting or mitigating any weakness observed.

The Board Regulations include the following responsibilities of the Audit Committee in Article 15:

Section c): establish relations with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between them with regard to policies and methods applicable upon preparation of financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including other disclosures stipulated in accounting and auditing legislation as well as auditing standards.

Section g): oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit.

Such responsibilities are carried out actively, by means of periodic meetings of the Audit Committee with the Group's external auditors and with those liable for management of the Divisions, as well as the Group's General Economic and Financial Manager, Risk and Internal Control Manager, Internal Audit Manager and Compliance Manager, which are permanently invited to all of the Committee's meetings.

Thus, and in accordance with an annual schedule, the Audit Committee summons, in advance in some cases, the heads of each of these areas in advance to appear and make a specific presentation to the members of the Committee.

As to the external auditors, meetings are held at least on an annual basis, to better understand any internal control weaknesses identified during the audit, if applicable these are corrected by updating the pertinent policies or rules and controls covered by the Internal Control System. In 2018 the External Auditor attended the Audit Committee five times.

Regarding Internal Audit Management, Risk and Internal Control Division and Compliance Division, it should be mentioned that their actions use information from the Audit Committee, receiving a follow-up report of weaknesses identified and compliance of all relevant recommendations made in the course of their works.

Those three divisions have permanent communication with the Audit Committee in the duties described above, highlighting the duty of preparing and keeping updated the following documents:

- Annual planning of works.
- Management's annual budget.
- Reports of each work carried out.
- The Division's Rules of Organisation and Procedures.

The foregoing will have the purpose of following up all activities carried out, as an effective means to develop and comply with all supervision duties of the Audit Committee.

F.6 Other relevant information. None.

Non applicable

F.7 External auditor report Report:

- F.7.1 If the information of the SCIIF sent to the markets has been reviewed by the external auditor, the entity should include the relevant report as annex. Otherwise, explain the reasons for the absence of this review.

The Group has requested to the external auditor a review report on the information related to the SCIIF described in this document, which is attached as Annex, pursuant to the Action Guide on the Auditor's Report concerning the information related to the SCIIF of listed companies, published by the National Securities Market Commission in its website

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies ☒

Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies.

- b) The mechanisms in place to resolve possible conflicts of interest.

Complies ☐

Partly complies ☐

Explain ☐

Not applicable ☒

3. During the General Annual Shareholders' Meeting, in addition to the written dissemination of the annual corporate governance report, the Chairman of the Board of Directors orally informs the shareholders, in sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

- a) Any changes that have taken place since the last annual general meeting.

- b) The specific reasons why the company is not following a recommendation in the Code of Corporate Governance and, if any, the alternative rules it is then applying.

Complies ☒

Partly complies ☐

Explain ☐

4. The company establishes and furthers a policy of communication and contact with the shareholders, institutional investors and proxy advisors that is fully in line with the rules on market abuse and provides for equal treatment of shareholders in the same position.

In addition, the company makes said policy publicly available on its website, including information concerning the way in which it has been implemented in practice, identifying the representatives or authorities responsible for executing that policy.

Complies ☒

Partly complies ☐

Explain ☐

5. The board of directors does not submit to the shareholders for discussion at a general meeting a proposed delegation of powers, to issue stock or convertible securities without pre-emptive rights for a sum exceeding 20% of the capital at the time of such delegation.

In addition, when the board of directors approves any issue of stock or convertible securities without pre-emptive rights, the company immediately posts the reports on such exclusion provided for in commercial laws on its website.

Complies ☒ Partly complies ☐ Explain ☐

6. Any listed companies that prepare the following reports, either mandatorily or voluntarily, post them on their websites sufficiently in advance of the annual general shareholders' meeting, even if the disclosure of such reports is not a mandatory requirement:

- a) Report on the auditor's independence.
- b) Reports on the operation of the audit and appointments and remuneration committees.
- c) Report of the audit committee on related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies ☐ Partly complies ☒ Explain ☐

Every year, the Company prepares a report on the independence of the auditor and the Annual Activity Report of the Audit and Compliance Committee and that of the Appointments and Remuneration Committee and reports in detail on the related-party transactions and corporate social responsibility for the financial statements, the Annual Report on Corporate Governance and the integrated report.

The Annual Activities Report for each Committee and the details of related-party transactions and corporate social responsibility are published on the website for the call of the Annual General Meeting.

7. The company provides a live broadcast of the general shareholders' meetings on its website.

Complies ☒ Explain ☐

8. The Audit Committee ensures that the board of Directors presents the financial statements to the General Shareholders' Meeting without qualifications in the audit report. Should such qualifications exist, both the chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies ☒ Partly complies ☐ Explain ☐

9. The company's website permanently features the requirements and procedures that will be accepted to establish shares ownership, or the right attend the general shareholders' meeting and the exercise or delegation of voting rights.

In addition, such requirements and procedures favour attendance and the exercise of shareholder rights and apply in a non-discriminatory manner.

Complies ☒ Partly complies ☐ Explain ☐

10. When a recognized shareholder has, prior to the general shareholders' meeting, exercised the right to add to the agenda or submit new proposed decisions, the company:

- a) Immediately publicizes such additional agenda items and new proposed decisions.
- b) Makes the form of attendance, proxy or remote voting card publicly available with the necessary changes in order that the new items on the agenda and alternative proposals may be voted on subject to the same terms as proposed by the due to board of directors.
- c) Submits all such items and alternative proposals for voting and subjects them to the same voting rules as established by the board of directors, including, in particular, any presumptions or inferences on the direction of a given vote.
- d) After the general shareholders' meeting, it reports a breakdown of how such additional items or alternative proposals were voted on.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

11. If the company has decided to offer attendance fees for the general shareholders' meeting, it has established in advance a general policy on such fees, and such policy is stable.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

12. The board of directors performs its duties with unity of purpose and independent judgment, according equal treatment to all shareholders in the same position, guided by the company's best interest, which consists in pursuing profitable business that is sustainable in the long term, furthering continuity and maximising the company's market value.

In its efforts to act in the company's best interest, in addition to abiding by the laws and regulations and behaving based on good faith, ethics and the observance of generally accepted conventions and good practices, it strives to reconcile its own corporate interests with, as the case may be, the legitimate interests of its employees, providers, customers and any other stakeholders that might be affected, as well as the impact of the company's activities in the life of the community as a whole and the environment.

Complies ☒ Partly complies ☐ Explain ☐

13. The Board of Directors must have a sufficient structure to operate effectively and attain participation; thus, it is suggested to include from five to fifteen members.

Complies ☒

Explain ☐

14. The Board should approve a director selection policy that:

- a) Is specific and verifiable;
- b) Ensures that proposals for appointment or reappointment are based on a previous analysis of the Board's needs;
- c) Favours diversity of knowledge, experience and gender.

The result of the previous analysis of the Board's needs should be rendered from the Appointments Committee's supporting report disclosed when convening the Annual General Meeting in which each Director will be ratified, appointed or reappointed.

The director selection policy should promote the objective that by 2020 at least 30% of the Board members will be female directors.

The Appointments Committee will monitor compliance with the director selection policy annually and will report on it in the Annual Corporate Governance Report.

Complies ☒

Partly complies ☐

Explain ☐

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies ☐

Partly complies ☒

Explain ☐

16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the capital represented on the Board by said proprietary directors and the remainder of the Company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies ☐

Explain ☒

The percentage representing the four proprietary directors on a total of non-executive directors is greater than the ratio between the vesting percentage of Grupo Villar Mir, S.A.U., shareholder they represent, and the rest of the capital, but

neither the Company has a plurality of shareholders with significant and stable share nor any shareholder has requested its right to appoint directors.

The percentage of the 4 proprietary directors of the total of 9 non-executive directors is practically the same as that represented by the percentage of share capital owned by Grupo Villar Mir, SA in relation to the entire share capital.

17. The number of independent directors should represent at least one half of all board members.

However, when the company is not large cap or when, despite being so, it has one shareholder or shareholders acting concertedly controlling over 30% of share capital, the number of independent directors should represent at least one third of all Board members.

Complies ☒

Explain ☐

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, regardless of their nature.

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a Company director.

e) Shares held in the Company and any options on the same.

Complies ☒

Partly complies ☐

Explain ☐

19. The Annual Corporate Governance Report, upon verification by the Appointments Committee, should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐

Partly complies ☐

Explain ☐

Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies ☒

Partly complies ☐

Explain ☐

Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when directors incur new obligations or hold new positions preventing them from dedicating the time needed to the proper performance of the director's relevant duties; when they are in breach of their fiduciary duties or come under one of the disqualifying grounds for being independent directors.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies ☒

Explain ☐

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies ☒

Partly complies ☐

Explain ☐

23. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Complies ☒

Partly complies ☐

Explain ☐

Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

25. The Appointment Committee should ensure that the non-executive directors have enough free time for the right performance of their duties.

And the Board Regulations should determine the number of directorships their Board members can hold.

Complies ☒ Partly complies ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, and at least 8 times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

Complies ☒ Partly complies ☐ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. And that, when they should occur, a representation with instructions must be provided.

Complies ☒ Partly complies ☐ Explain ☐

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

29. The company should establish suitable channels for directors to receive the advice and guidance they need to carry out their duties, including, if applicable, external advice at the company's expense.

Complies ☒ Partly complies ☐ Explain ☐

30. Regardless of the knowledge directors must have to perform their duties, they should also be offered ongoing learning programs when circumstances so dictate.

Complies ☒ Explain ☐ Not applicable ☐

31. The agenda of the meetings should clearly state the matters about which the Board shall make a decision or reach an agreement so directors may obtain or assess accurate information in advance for its application.

When, in urgent and exceptional cases, the Chairman wishes to submit for the approval by the Board decisions or agreements that were not included in the agenda, the prior express consent of the majority of the attending directors shall be required, which will be recorded in the minute book.

Complies ☒ Partly complies ☐ Explain ☐

32. Directors should be informed on a regular basis about shareholding changes and about the opinion that significant shareholders, investors and rating agencies keep of the Company and the Group.

Complies ☒ Partly complies ☐ Explain ☐

33. The Chairman, as the person responsible for the proper operation of the Board, in addition to carrying law or Bylaws and statutory duties, should prepare and submit to the Board a calendar and agenda; he should organize and coordinate the regular evaluations of the Board and, where appropriate, those of the company's chief executive; he should be responsible for the Board's direction and its proper operation; he should ensure enough time is devoted to discuss strategic matters, as well as accept and review ongoing learning programs for each director when circumstances so dictate.

Complies ☒ Partly complies ☐ Explain ☐

34. When there is a coordinating director, in addition to powers conferred by law, the By-laws or the Board regulations should delegate the following duties to said director: to chair the Board of Directors when the chairman and deputy chairmen, if applicable, are not present; hearing the concerns of non-executive directors, to be in contact with investors and shareholders in order to learn their points of view and form an opinion about their concerns, especially about the Company's corporate governance; and to coordinate a succession plan for the chairman.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

The regulation of the Board of Directors contemplates the position of a coordinating director with conferred powers. However, the Appointments and Remuneration Committee is responsible for the Succession Plan and any contact with the company's investors and shareholders of the company is carried out by the Economic-Financial Directorate General and the Investors Relations Department and, where appropriate, with the intervention of other specific company offices when it is required on the basis of the matter or issue being raised.

35. The Secretary should take care to ensure that the Board's actions and decisions consider the good governance recommendations of the Unified Code that are applicable to the Company.

Complies ☒ Explain ☐

36. The Board in full should evaluate and adopt, on an annual basis, if applicable, an action plan aimed at correcting deficiencies found regarding:

- a) The quality and efficiency of the Board's operation.
- b) The operation and structure of its committees.
- c) The diversity of the structure and competences of the Board.
- d) The performance of the Board's Chairman and of the Company's chief executive.
- e) The performance and contribution of each director, paying special attention to those in charge of the different committees of the Board.

The evaluation of the different committees will be based on the reports submitted by said committees to the Board, and the evaluation of the Board will be based on the report submitted by the Appointments Committee.

Every three years, the Board will perform the evaluation with the support of an external advisor, whose independence will be verified by the Appointments Committee.

Business dealings between the advisor or any company of his group and the company or any company of its group shall be detailed in the Annual Corporate Governance Report.

The process and the assessed areas will be described in the Annual Corporate Governance Report.

Complies ☒ Partly complies ☐ Explain ☐

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Executive Committee's minutes.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

39. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management and the majority of those members should be independent directors.

Complies ☒ Partly complies ☐ Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit in charge of internal audit that ensures the proper operation of internal control and reporting systems, and the operation of this unit will be dependent on the non-executive chairman of the Board or of the Audit Committee.

Complies ☒ Partly complies ☐ Explain ☐

41. The head of internal audit should submit an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, submit an activity report at the end of each year.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

42. In addition to those established by law, the Audit Committee should have the following functions:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence and efficacy of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's material risks; receive periodic financial information on its activities; and check that Senior Executives are considering its recommendations and conclusions.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation.
- b) Ensure that the external auditor's compensation for his work does not compromise its quality or independence.
- c) Ensuring that the Company notifies any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Complies ☒ Partly complies ☐ Explain ☐

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies ☒ Partly complies ☐ Explain ☐

44. The Audit Committee should be informed on the structural and corporate changes intended by the Company for reviewing and submitting the report to the Board of directors on the economic conditions and the accounting effects and, specifically, on the swap ratio proposed.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

45. Control and risk management policy should specify at least:

- a) The different types of financial and non-financial risks affecting the Company (operational, technology, social, legal, environmental, reputational, political, fiscal etc) with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies ☒ Partly complies ☐ Explain ☐

46. Under direct supervision of the Audit Committee or, if applicable, of a specialized committee of the Board, there should be an internal function of risk control and management carried out by a unit or internal department of the Company with the following functions:

- a) Ensure the proper operation of risk control and management systems and, specifically, that all important risks faced by the Company are properly identified, managed and quantified.
- b) Actively participate in the development of the risk strategy and in the important decisions about its management.
- c) Ensure that risk control and management systems mitigate risks adequately in accordance with the policy framework set forth by the Board.

Complies ☒ Partly complies ☐ Explain ☐

47. The members of the Appointments and Remuneration Committee —or of the Appointments Committee and the Remuneration Committee, if they are separated— should be designated seeking to ensure that they have the knowledge, skills and experience required for the duties they will perform, and that the majority of said members are independent directors.

Complies ☐ Partly complies ☐ Explain ☒

The Committee is made of four directors, being two of them independent external directors, one of them considered as an "other non-executive" and other one a non-executive proprietary director.

48. Large cap companies should have two separate committees, an Appointments Committee and a Remuneration Committee.

Complies ☐ Partly complies ☐ Explain ☒

49. The Appointments Committee should consult with the Board's Chairman and company's chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Complies ☒ Partly complies ☐ Explain ☐

50. The Remuneration Committee should perform its duties independently, and in addition to those conferred by law, it should have the following functions:

- a) Propose standard conditions for senior officer employment contracts to the Board.
- b) Oversee compliance with the remuneration policy set by the Company.
- c) Review periodically the remuneration policy applied to directors and high executives, including share-based compensation systems and their application, as well as ensuring that their individual compensation is proportionate to that paid to the Company's other directors and high executives.
- d) Ensure that potential conflicts of interests do not compromise the independence of the external advice received by the committee.
- e) Check the information on the remuneration received by directors and senior officers contained in different corporate documents, including the Annual Report on Director's Remuneration.

Complies ☒ Partly complies ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive directors and senior officers.

Complies ☒ Partly complies ☐ Explain ☐

52. The rules on structure and operation of the supervision and control committees should be established on the Regulations of the Board of Directors and should be consistent with those that are legally binding and applicable to committees, pursuant to previous recommendations, including:

- a) They must be exclusively made up of non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each Committee, and it should discuss their proposals and reports and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.
- d) The Committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of meeting proceedings should be drawn up and made available to all Board members.

Complies ☐

Partly complies ☐

Explain ☐

Not applicable ☒

53. The job of supervising compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy should be entrusted to one or several committees of the Board, namely, the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if applicable, or a specialized committee created by the Board, exercising its power to self-organize, which should have the following minimum functions:

- a) Supervising compliance with internal codes of conduct and the corporate governance rules of the Company.
- b) Supervising the strategies of communication and relation with shareholders and investors, including small and medium shareholders.
- c) Evaluating, on a regular basis, the adequacy of the Company's corporate governance rules and procedures, so it can accomplish its mission of promoting social interest, considering, accordingly, the legitimate interests of the remaining stakeholders.
- d) Reviewing the corporate social responsibility policy of the Company, ensuring it is directed towards the creation of value.
- e) Monitoring strategies and actions of corporate social responsibility, and evaluating the degree of compliance.
- f) Supervising and evaluating the relations with the different stakeholders.
- g) Evaluating everything related to the Company's non-financial risks, including operational, technological, financial, legal, social, environmental, political and reputational risks.
- h) Coordinating the process of reporting non-financial and diversity information, according to the applicable regulations and the international standards of reference.

Complies ☒ Partly complies ☐ Explain ☐

54. The corporate social responsibility policy should include the principles and commitments the Company takes on voluntarily in relation to the different stakeholders, and it should identify, at least:

- a) The objectives of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social affairs.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social affairs, the environment, diversity, fiscal responsibility, related to human rights and the prevention of illegal behaviour.
- d) Methods or systems to monitor the results of the implementation of the specific practices detailed in the preceding item, the associated risks and their management.
- e) Mechanisms for the supervision of non-financial risks, business conduct and ethics.
- f) Channels of communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that prevent information manipulation and protect integrity and honour.

Complies ☒ Partly complies ☐ Explain ☐

55. The Company should report, in a separate document or in the directors' report, matters related to corporate social responsibility using some of the internationally accepted methods.

Complies ☒ Partly complies ☐ Explain ☐

56. Directors remuneration should be sufficient to attract and retain directors with the desired profile and to compensate them for the dedication, abilities and responsibility that the position entails; but should not be so high as to compromise the independence of criterion of non-executive directors.

Complies ☒ Explain ☐

57. Variable remuneration linked to the Company's performance, individual performance, and remuneration comprising the delivery of shares, share options or other share-based instruments, and long-term saving systems such as pension plans, retirement systems or other systems of social provision should be confined to executive directors.

The delivery of shares for the remuneration of non-executive directors may be considered when they are obliged to retain them until the end of their tenure. The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☒ Partly complies ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

And, specifically, variable components of remuneration should:

- a) Be linked to predetermined and measurable performance criteria that consider the risk incurred to obtain a result.
- b) Promote the Company's sustainability and include non-financial criteria adequate for the creation of long term value, in addition to compliance with the Company's rules and internal procedures, and its risk management and control policies.
- c) Be designed based on a balance between the accomplishment of short, medium and long term objectives that allow for the remuneration of continuous performance over a period that is sufficiently long to appreciate their contribution to the creation of value, in a way that the measurement elements of that performance do not only revolve around specific, occasional or extraordinary events.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

59. Payment of a relevant part of the variable components of remuneration should be postponed during a period sufficiently long to verify that previously established performance conditions have been fulfilled.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

The annual variable remuneration of the Company's executive directors is linked to the achievement of certain annual objectives, whose degree of fulfilment is determined by the Board of Directors at the proposal of the Appointments and Remuneration Committee.

The remuneration policy for directors, approved by the Annual General Meeting, established that the payment of the Annual Variable Remuneration will be linked to the achievement of specific business objectives.

60. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

61. A relevant percentage of the variable remuneration of non-executive directors should be linked to the delivery of shares or other share-based financial instruments.

Complies ☐ Partly complies ☐ Explain ☐ Not applicable ☒

62. Once the shares or options or the rights to shares related to the compensation systems have been allocated, directors shall not transfer the ownership of a number of shares equivalent to twice their annual fixed compensation or exercise the options or rights until a term of, at least, three years from allocation have elapsed.

The foregoing will not be applicable to shares that the director needs to sell in order to afford the expenses related to their acquisition.

Complies ☐ Partly complies ☐ Explain ☒ Not applicable ☐

During fiscal year 2018, the variable remuneration of the CEO did not include the delivery of shares or other share-based financial instruments.

63. Contractual agreements should include a clause allowing the company to ask for a reimbursement of the variable components of remuneration when payment was not adjusted to performance conditions or when payment was made pursuant to data that is later deemed inaccurate.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

64. Payments due to the termination of the agreement should not exceed the established amount equivalent to two years of the total annual remuneration and should not be paid until the company can verify that the director has fulfilled the performance criteria that were previously established.

Complies ☒ Partly complies ☐ Explain ☐ Not applicable ☐

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate if it has voluntarily adhered to other codes of ethical principles or good practices, whether international, sector-specific or otherwise. If so, please state the code in question and the date of adherence. In particular, mention will be made to the observance of the Code of Good Tax Practices of 20 July 2010:

C.1.1.- MAXIMUM AND MINIMUM NUMBER OF DIRECTORS INCLUDED IN THE BYLAWS AND NUMBER SET FORTH BY THE GENERAL SHAREHOLDERS MEETING.

Until 26 June 2018 the number of directors set forth in the General Shareholders Meeting was 12. The General Shareholders Meeting established such number in 10.

C.1.4.- COMPLETE THE FOLLOWING TABLE WITH BOARD FEMALE MEMBERS' DETAILS AT THE END OF THE LAST FOUR YEARS, AS WELL AS THE CATEGORY OF THOSE DIRECTORS.

For the record, Ms. Monica Sofia de Oriol Icaza was independent director until 26 June 2018, the date her office expired.

C.1.13.- INDICATE THE AMOUNT OF THE FOLLOWING ITEMS RELATED TO THE TOTAL BOARD OF DIRECTORS' REMUNERATION. The Board of Directors' overall remuneration includes the fixed annual remuneration of the Board of Directors and the compensation received by the executive directors for performing senior management services, pursuant to the Remuneration Policy approved by the Ordinary General Shareholders' Meeting on 26 June 2018.

C.1.25.- INDICATE THE NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND HOW MANY TIMES THE BOARD HAS MET WITHOUT THE CHAIRMAN'S ATTENDANCE.

The Chairman shall leave the meeting when the Board evaluates the Chairman's office.

C.1.27.- IDENTIFY, WHERE APPLICABLE, THE PERSON(S) WHO CERTIFIED THE COMPANY'S INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS PRIOR TO THEIR AUTHORISATION FOR ISSUE BY THE BOARD.

During the 2018 fiscal year, Mr. Enrique Weickert Molina certified the financial statements for the fiscal year 2017 in his capacity as Chief Financial Officer.

C.1.34.- INDICATE THE NUMBER OF FISCAL YEARS THAT THE CURRENT AUDIT FIRM HAS BEEN UNINTERRUPTEDLY AUDITING THE CONSOLIDATED AND/OR SEPARATED FINANCIAL STATEMENTS OF THE COMPANY. LIKEWISE, INDICATE FOR HOW MANY YEARS THE CURRENT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS OVER WHICH THE FINANCIAL STATEMENTS HAVE BEEN AUDITED.

In 2002, DELOITTE, S.L. was appointed as auditor both for the Company and the Group. Arthur Andersen performed the audit services of the Company for the previous 14 years and of the Group for the previous 12 years.

C.2.1.- AUDIT AND COMPLIANCE COMMITTEE.

For the record, until 9 July 2018, Mr. José Luis Díez was the director appointed after taking into account his knowledge and expertise in accounting and auditing.

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND FUNCTIONING OF THE AUDIT AND COMPLIANCE COMMITTEE: The functions assigned to the Audit and Compliance Committee, along with its procedures and rules of

organization and functioning are described in Article 15 of the Board of Directors' Regulations. "Article 15. Audit and Compliance Committee. 1.- The number of members at the Audit Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Audit Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed. At least two of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. Without prejudice to the provisions of the Law and the Company's Bylaws, the Audit Committee shall have the powers and be governed by the operating rules listed below. 2.- Notwithstanding any other duty imposed by Law, the Bylaws, the General Shareholders' Meeting or the Board of Directors, the Audit and Compliance Committee's responsibilities include the following: a). Report to the General Shareholders' Meeting matters therein raised by shareholders regarding their competence, and consider suggestions on such matters shareholders, the Board of Directors and Company managers may pose; b). Propose the appointment of the auditor, the terms of engagement of the auditor, monitoring and observance of the audit contract and, if applicable, his/her revocation or non-renewal; c). Maintain any other with the external auditors, assess the results of each audit and the management team's response to their recommendations, and intervene in case of discrepancies between the latter and them with regard to policies and methods applicable in preparing financial statements, as well as gathering information on matters that may call the auditor's independence into question, and any other matters relating to the auditing process, including receiving information and the other disclosures stipulated in accounting and auditing legislation and auditing standards; d) In any case, receive from the auditors or audit companies an annual written confirmation of their independence from the Company or companies directly or indirectly related to the them, as well as information concerning the additional services of any kind rendered to the Company by said auditors or companies, or by the individuals or companies related to them pursuant to Law 1988/19 of 12 July on Account Auditing; e) Issue an annual report stating its opinion on the auditors' or audit companies' independence before the audit report is issued. In all cases, this report must express an opinion on the provision of the additional services referred to in the previous paragraph; f). Monitor compliance of auditing contract, always attempting a clear and precise drafting of the views of statements and audit report's main contents; g). Oversee the efficiency of the company's internal control, internal audit services and risk management systems, reviewing the appointment and replacement of responsible parties, as well as discussing with account auditors the most relevant internal control system weaknesses detected during the audit; h). Overseeing the financial reporting preparation and presentation process and checking the appointment and replacement of the individuals responsible; i) Review Company's statements, oversee compliance with legal requirements and correct application of generally accepted accounting principles and also inform on the proposals for changes in the accounting policies and methods suggested by management; j). Review bulletins and periodic financial information to be submitted by the Board to the markets and their regulatory bodies; k). Examine compliance with the Internal Rules of Conduct in Securities Markets, the Regulations of the Board of Directors, the Regulations of the General Shareholders' Meeting, Code of Conduct of Ethics of OHL Group and, in general, the Company's rules of governance, and make proposals for improving them. The Audit Committee is particularly responsible for receiving information and, if applicable, issuing a report on the disciplinary measures applied to the Company's senior executive team; l) Report to the Board prior to the adoption of resolutions related to the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens; m) Report in advance to the Board of Directors on all matters under the Law, bylaws and the Board's Regulations; and particularly on: 1) the financial information to be published by the Company from time to time; 2) the creation or acquisition of equity interests from special-purpose vehicles or entities domiciled at jurisdictions considered tax havens; and 3) the proposal to amend the Board of Directors' Regulations; n) Identify, propose, direct, promote and supervise the Corporate Social Responsibility policy of OHL Group, and to prepare the Corporate Social Responsibility report on an annual basis. 3.- The Audit Committee shall appoint among its members a Chairman who shall be an independent director. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors' Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board. 4.- The Audit Committee shall meet periodically as required and, at least, four times a year. One of the meetings shall be necessarily devoted to evaluating the Company's governance rules and procedures efficacy and compliance and to prepare the information the Board of Directors shall approve and include in its annual public report. It will be convened by the Chairman, who must make the call at the request of the Board of Directors' Chairman or two Committee members. The Committee shall be duly convened when half of the members plus one, present or represented, attend the meeting. Resolutions shall be adopted by majority vote of the Directors attending the Committee's meeting. Written votes without a meeting shall only be accepted when none of the members objects to this procedure. 5.- Any member of the Company's management team or staff required to this end shall be obliged to attend the Audit Committee's meetings and to cooperate and provide access to information at their disposal. The Committee may also request Auditors to attend its meetings. 6.- For the best performance of its duties, the Audit and Compliance Committee shall seek the advice of external professionals, whose recruitment shall be requested to the Board of Directors, which may not refuse it if not in a reasoned manner, considering the Company's best interests."

MOST IMPORTANT ACTIONS DURING THE FISCAL YEAR 2018:

- In Financial-Economic matters: It reviewed, previously to the Board of Directors, the regular quarter and half year reporting, as well as the consolidated and separated financial statements for the fiscal year ended 31 December 2017 for its submittal, upon approval by the Board of Directors, to the market and the regulatory body, as well as the requirements demanded by the CNMV and responses thereto. It reviewed, previously to the presentation by the Board of Directors, the Annual Corporate Governance Report and the Sustainability Report for the fiscal year 2017.
- It reviewed and approved the Group's Tax Report for 2017.
- With respect to the external auditor: It has analysed the independence and proposal of the appointment of the external auditor; was informed of the findings of the external auditors and the main aspects of their reports through the limited review at June 30 and the review of the fiscal year 2017 financial statements; proposed the appointment of the external auditor for the fiscal year 2018 and reviewed its fees and reported on the independence of the external auditor.
- With respect to the internal auditor: It has analysed the internal audit reports included in the annual plan and other specific reviews requested by the Directors or the Committee itself during fiscal year 2018.
- For matters regarding Risk Control: It has analysed the main risks of the group and their evolution.

- For matters regarding Compliance: It has supervised the performance of the Compliance Department in its actions with regard to the Code of Ethics, measures on oversight, management and prevention of crimes and its management of the Whistle-Blowing Channel procedures.
- It has performed the annual self-evaluation of the Committee's performance.
- It has prepared its own Annual Activity Report

C.2.1.- APPOINTMENTS AND REMUNERATION COMMITTEE

FUNCTIONS, PROCEDURES AND RULES OF ORGANIZATION AND OPERATION OF THE APPOINTMENTS AND REMUNERATION COMMITTEE: The functions, procedures and rules of organisation and operation thereof, are described in Article 16 of the Regulations of the Board of Directors: "Article 16. Appointments and Remuneration Committee. 1.- The Board of Directors shall designate among its members an Appointments and Remuneration Committee. The number of members at the Appointments and Remuneration Committee shall not be less than three or more than seven, and shall be fixed by the Board of Directors. All Appointments and Remuneration Committee members shall be Directors who are not executives of the company or maintain a contractual relationship other than the condition for which they are appointed and at least two of them shall be independent. The Appointments and Remuneration Committee shall have the powers and be governed by the operating rules listed below. 2.- Without prejudice to any other functions assigned by law, the Company's Bylaws or the Board, the Appointments and Remuneration Committee shall have at least the following functions: a) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it shall define the functions and skills required for candidates to cover each vacancy and shall evaluate the time and dedication required to attain goals effectively. b) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. c) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for such Directors' re-election or removal. d) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. e) Propose to the Board the appointment of every Committee members. f) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. g) Examine and organize the succession of the Board of Directors' Chairman and the company's chief executive and, where appropriate, make proposals to the Board of Directors for such succession to occur in an orderly and planned manner. h) Propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions under direct control of the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other contractual conditions of executive directors and the criteria for the rest of the Group's senior management, ensuring compliance. i) Periodically review the variable remuneration programmes, considering their suitability and results. j) Monitor remuneration transparency. k) Reporting on the list of transactions that imply or may imply a conflict of interests and, in general, on the matters included in chapter on IX of this Regulation. l) Consider suggestions made by the Company's Chairman, members of the Committee, senior executives or shareholders. ll) Report the full Board on the proposal of appointment and removal of the Board of Directors' Secretary and Deputy Secretary. m) Annually report the full Board on the evaluation of the Board of Directors' Chairman performance. n) Identify, propose, direct, promote and supervise the Corporate Social Responsibility policy of OHL Group, and to prepare the Corporate Social Responsibility report on an annual basis. ñ) Review the regulations and practices of the Company relating to Corporate Governance, by proposing any amendments it deems appropriate so that they remain in line with the standards, recommendations and best practices in this matter. 3.- The Appointments and Remuneration Committee shall meet whenever the Board or its Chairman requests a report or the adoption of proposals and, in any case, whenever convenient for the appropriate furtherance of its duties. In any case, it shall meet to draw up the specific report on the Company's remuneration policy proposed to be submitted to the Annual General Meeting. Regardless of this, it shall meet at least three times a year. One of these meetings shall be devoted to determining the directors' remuneration that the Board of Directors must approve by implementing the Company's remuneration policy, and preparing the information to be included in the annual public documentation. It will be convened by the Chairman, who must make the call at the request of the Board of Directors' Chairman or any of the Committee members. 4.- The Audit Committee shall appoint among its members an independent director as Chairman. In the absence of the Chairman, the meeting shall be chaired by the most senior independent director. The Board of Director's Secretary shall be the Committee's Secretary and, in his/her absence, the Board's Vice-secretary shall replace him/her. The Committee's Secretary shall draw up the minutes of the adopted resolutions, which shall, in turn, be notified to the Board. 5.- Any member of the Company's executive team or personnel so required is obliged to attend Committee meetings, as well as to offer assistance and access to information at their disposal. The Committee may also request Auditors to attend its meetings. 6.- For the best fulfilment of their duties, the Appointments and Remuneration Committee may seek the advice of external professionals, for which Article 26 of these Regulations shall apply."

MOST IMPORTANT ACTIONS DURING THE FISCAL YEAR 2018:

- It has analysed the composition, size and configuration of the Board of Directors, after which it informed of the down-sizing proposal approved by the Annual General Meeting.
- It has evaluated the skills, knowledge and experience required by the candidates to fill any vacancies on the Board of Directors during the year, while actively participating in the selection process for independent directors and informing of any proposals of other directors nominated during fiscal year 2018.
- It has analysed and reported on the appointment of directors on the Board of Directors during fiscal year 2018, for process of replacing the Deputy Vice-Chairman and the Chief Executive Officer.
- It has reported on the remuneration policy for the directors, approved by the Annual General Meeting for fiscal year 2018, and subsequent, in accordance with article 529r of the Spanish Capital Companies Law.

- It has proposed the remuneration for the executive director and other contractual conditions to the Board of Directors.
- It has reported on the appointment of senior executives and the corresponding basic conditions of their employment contracts and their variable remuneration.
- It was informed of the departure of senior executives, approved the economic conditions for their severance and informed such to the Board.
- It has submitted before the Board of Directors, for its preparation, the Remuneration Report of the Board of Directors for fiscal year 2017.
- It has reviewed and issued its favourable opinion on the related-party transactions made during fiscal year 2018 in accordance with the Group's regulations.
- Actions regarding the Group's Corporate Social Responsibility Policy.
- Self-evaluation of the Committee's performance.
- It has prepared its own Annual Activity Report

E.5.- STATE WHAT RISKS HAVE ARISEN DURING THE YEAR.

The update of the main risks for the Group in the fiscal year 2018 is:

i. Liquidity risk and access to financial markets: This risk is managed by maintaining adequate levels of cash and marketable securities, as well as acquiring and keeping lines of sufficient funding to cover all financing needs, as cash maintaining, at all times, a level of financial flexibility that is adequate for its activity.

The Syndicated Multiproduct Financing Agreement dated 30 December 2016, as amended and consolidated on 30 March 2017, as amended on 28 June 2017, 29 November 2017 and 22 February 2018, reported a total aggregate amount of EUR 684,000 thousand for the issuance of guarantees (EUR 402,000 thousand), confirming (EUR 92,000 thousand) and a revolving facility (EUR 190,000 thousand).

On 11 April 2018, a contract for novation was signed, for which some essential terms of the contract were amended, such as:

- 1) The approval for the sale of 100% of OHL Concesiones;
- 2) The approval for the Company to dispose of the total amount of the guarantee and reverse factoring line;
- 3) The constitution of two restricted deposits totalling EUR 372,000 thousand (EUR 280,000 thousand in guarantee of the guarantees and EUR 92,000 thousand as securities in guarantee of the reverse factoring), substituting the pledge on the OHL Concesiones shares.

After the sale of 100% of the capital of OHL Concesiones, S.A., which took place on 12 April 2018 with the transfer the entire ownership interest to IFM Global Infrastructure (IFM) and, from this, the net proceeds from the sale were:

- i. In April 2018, it had essentially repaid all bank debt (including the FSM revolving line of EUR 190,000 thousand) amounting to EUR 701,700 thousand.
- ii. On 21 2018, it had repaid the amount of EUR 228,300 thousand for the bonds (25% of the total outstanding amount), regarding the procedures initiated by the bondholders of the put option that they were entitled to, as a result of the sale of OHL Concesiones.
- iii. On 6 June 2018, it distributed an interim dividend for fiscal year 2018 for an amount of around EUR 100,000 thousand, equivalent to EUR 0.348981 per share.
- iv. With all the remaining balance of income derived from the sale, the balance of treasury and temporary financial investments of the Group increased, which at 31 December 2018, amounted EUR 1,036,916 thousand.

Subsequently, the novation below for the Syndicated Multiproduct Financing

Agreement took place: 1. Novation of 3 October 2018, in which it is agreed to:

- Extend the maturity date to 31 March 2019.
- Reduce and partially cancel 50% of the available amount of the guarantee line, which stands at EUR 351,556 thousand.
- Reduce restricted deposits established in April 2018 (totalling EUR 372,000 thousand) down to the amount of EUR 140,000 thousand in the Deposit Account.
- Fully cancel the reverse factoring line, whereby releasing the amounts deposited as collateral.
- Maintain a minimum restricted amount in the Deposit Account of at least EUR 140,000 thousand, on the date of this report.
- Make a deposit of EUR 160,000 thousand into a reserve account so it is available for the Company to make a provision into the Deposit Account at any time and/or for any other use, provided that there is the written consent of all counter-guarantors.

On 28 March 2019, a new contract for novation was entered into for the Syndicated Multiproduct Financing Agreement, to extend the maturity until 30 June 2019, while all other conditions and negotiations with the financial entities remained unchanged.

All the actions carried out by the Company have been focused on mitigating liquidity risk and after the significant divestments in 2018, the Group's significant liquidity, the treasury and short-term investments amounting EUR 1,036,916 thousand to secure the normal development of its operations.

ii. The bankruptcy and liquidation of Autopista Eje Aeropuerto Concesionaria Española S.A.U. and Aeropistas S.L.U.: these companies are under insolvency proceedings as of January 2014 and as of October 2015 their liquidation was requested. The legal proceedings are still ongoing for the various aspects of the liquidation for the concession and other contracts (see Note 4.2.6.1 in the Notes to the Financial Statements).

iii. Bankruptcy of Cercanías Móstoles Navalcarnero S.A.U. ("CEMONASA"): during May 2016, voluntary bankruptcy was filed, where it was admitted and entered into insolvency proceedings on 16 August 2016.

On 25 April 2017, the insolvency administrator submitted the Liquidation Plan or the realisation of property and rights comprising the assets of the insolvency proceedings, which is pending approval.

Lastly, on 20 June 2017, as a result of the aforementioned enforcement of the penalty on the Company, the Community of Madrid ordered the execution of the guarantees that Obrascon Huarte Lain, S.A. and OHL Concesiones, S.A.U. had provided as collateral to ensure the fulfilment of its obligations under the concession contract of the Company. The amount of the executed guarantees stood at EUR 15,869,300.60.

On 21 July 2017, the Concessionaire was notified of the Order issued by the Minister of Transport, Housing and Infrastructure, which declared the Concession Contract terminated, whereby seizing the collateral and declaring the obligation to provide compensation to cover damages inflicted upon the Administration in the amount determined in the corresponding contradictory procedure. Such Order was appealed by the Company, and the appeal was overruled by the Public Authorities of Madrid on 10 October 2017. Therefore on 5 December 2017 the company filed contentious administrative recourse against such decision. On 27 July 2018, the CAM filed a claim for damages against CEMONASA, amounting to EUR 355 million. This claim was subject to an application for judicial review, in which the suspension of the execution of the administrative procedure was requested. The Courts accepted this suspension against the CEMONASA's provision of guarantee amounting to EUR 212 million. This last ruling is pending an appeal.

Notwithstanding to the foregoing situation, the Group deems that the concession contract upholds the right to recuperate the net investment and the amounts contributed as loans for the Company.

iv. During 2014, the company reported that, on the basis of the contract for the Design and Construction of the Sidra Medical Research Centre (Doha, Qatar), Qatar Foundation for Education, Science and Community Development (QF) and the joint venture (JV) formed between the company and Contrack Cyprus Ltd. (55% - 45% respectively), there are arbitration proceedings, which had commenced on 30 July 2014, at the International Chamber of Commerce (ICC).

On 21 November 2018, a Partial Award was issued with certain declarations, among which was the declaration of legality for the termination of the contract. This declaration grants QF the possibility to file a claim for the actual completion costs of the work that went above the agreed price pending application. JV filed an appeal before the UK courts for the partial annulment of the Award, with regard to the declaration of legality for the termination of the agreement contained therein. If the legal challenge filed by the JV were to be successful, and the declaration of legality for the termination become ineffective, there would have to be a new ruling and, also, the possibility of QF to claim any termination costs would depend on the wording of this new ruling. However, the arbitration is still in due process and on 27 February 2019, a new Partial Award was declared, whose purpose was to determine the rate of work progress at the time of termination, declaring that the work had been approximately 95% completed at the time of the termination.

Under these circumstances, and conditioned to the outcome of the aforementioned judicial decision, the claims and counter claims of the parties are the following: the JV claims a reimbursement for the amount of the executed guarantees (880 million QAR, EUR 210 million), the total amount of the executed and unpaid variations, as determined under the Partial Award (182 million QAR, EUR 43 million), the amount of executed and unpaid variations that have not been subject to an arbitration decision (76 million QAR, EUR 18 million), costs for extending the time spent on site according to the time extension, as determined under the Partial Award (322 million QAR, EUR 77 million), compensation for costs for work disturbances (67 million QAR, EUR 16 million); QF claims higher termination costs than the pending agreement price (3,636 million QAR, EUR 869 million), repairs due to defects (320 million QAR, EUR 76 million), and contractual penalties for delays (792 million QAR, EUR 189 million).

The amounts above correspond to the claims of the parties. For all cases (exception for the circumstance explained below), the causes for the items comprising each claim and their corresponding amounts are subject to the decision of an arbitral tribunal, which will occur during the quantification phase of the arbitration process. Exempt from the foregoing is (i) the amount of the guarantee executed for the JV (880 million QAR, EUR 210 million), whose amount is fixed and, in any case, acts as credit in favour of the JV, and (ii) the amount of the executed and unpaid variations that are not subject to an arbitration ruling (182 million QAR, EUR 43 million), whose figure is also fixed and acts as credit in favour of the JV.

Accordingly, the Company's Directors, on the basis of third-party reports, as well as the interpretations made by the Company's legal department, have assessed the various scenarios could arise from the evolution of the aforementioned judicial process, as well as the moments in which it could be ruled. Accordingly, they have concluded that, while taking into consideration the current situation of the process, as well as the various scenarios for a judgment that could be issued, it is not likely that as of 31 December 2018, the Company would become insolvent and, for this reason, there are no provisions made for this.

v. Litigious situations for Construction projects: the Group is still involved in litigious situations with certain projects (see Note 4.6.2.1 of the Notes to the Financial Statements), where it is doing its best to reach a settlement for payment.

Notwithstanding the foregoing and as a consequence of a careful assessment on the current situation for each of these, while considering the technical, legal and the negotiation status of the Customers, by application of IFRS 15, on January 1, 2018, all those that met the requirements have entered procedures to be settled against the reserves.

vi. Re-evaluations of the final result of certain Construction and Industrial projects: the Group has carried out a review of the projects in the portfolio, by removing any files and claims that did not have a high likelihood of eventuating, which has meant the recognition of significant losses for fiscal year 2018.

vi. Review of the order book: during the third quarter of 2018, the Group derecognised the amount of EUR 521.6 million from the order book, which corresponded to the works for the concessions with Aleatica, S.A.: Evitamiento Chimbote, Puerto Valparaíso, Camino Nogales Puchumcabí and Puente Industrial Bio-Bio, as the agreements to date have not been formalised.

F.1.2 B) CODE OF CONDUCT, APPROVING BODY, DISSEMINATION AND INSTRUCTION, PRINCIPLES AND VALUES COVERED (STATING WHETHER IT MAKES SPECIFIC REFERENCE TO RECORD KEEPING AND FINANCIAL REPORTING), BODY IN CHARGE OF INVESTIGATING BREACHES AND PROPOSING CORRECTIVE OR DISCIPLINARY ACTION.

APPROVAL BODY AND DATE OF UPDATE:

OHL Group has a Code of Ethics in place that represents the express statement of the values, principles and conduct guidelines which must lead the behaviour of all persons of the Group in their professional activity.

Its scope includes all members of the Board of Directors, executive staff and all Group employees.

The Board of Directors, the approval body of the Code of Ethics, approved the last update on 21 January 2015. The Code will remain in force until the Board of Directors approves its update, review or repeal.

PRINCIPLE ON INFORMATION TRANSPARENCY AND ACCURACY:

The Code of Ethics is the main criterion to develop the Group's corporate values:

- Professional ethics, integrity, honesty, loyalty, effectiveness and responsibility before our stakeholders, in all the Group's actions, always in full compliance with the current legislation.
- Spirit to continuously excel and improve professional performance, always focused on excellence.
- Transparency in information disclosure, which must be appropriate, truthful, comparative and complete.
- Creation of value, always striving for sustainable growth and profitability.
- Continuous encouragement of the quality offered, innovation, security and respect for the environment.

Based on the basic principle of behaviour required to all the Group's staff regarding 'the respect to lawfulness', information transparency and accuracy are considered a key conduct guideline in the relationship with the market.

In this regard, the Code of Ethics specifies that: "OHL undertakes to transmit complete and truthful information of the Group companies which allows shareholders, analysts and other interested parties to reach an objective opinion on the Group. Similarly, OHL undertakes to collaborate with the supervising or inspection bodies or entities in any way it may be required in order to facilitate administrative supervision. Group's staff will verify that all transactions with economic relevance are made on behalf of the Company and that they are included clearly and accurately in the appropriate accounting records so as to represent a faithful image of the transactions made. Accounting principles and standards must be strictly followed, preparing complete and accurate financial reports. It is also necessary to implement suitable internal procedures and controls ensuring that financial and accounting reporting complies with the law, regulations and stock exchange requirements. Conducts tending to avoid tax liabilities or to obtain benefits against the Tax Authority, Social Security or similar bodies are expressly forbidden."

AUDIT COMMITTEE:

Section 15.k) of the Board Regulations details the Audit Committee's responsibilities as follows: "Examine compliance with the Internal Rules of Conduct in Securities Markets, the Code of Ethics of OHL Group and, in general, the Company's rules of governance, and make proposals for improving them."

Thus, the Group's Code of Ethics itself states that "any doubt, criticism or suggestion made to improve must be made known to the Audit, Committee, which is the competent body to ensure compliance with this Code and to promote both its disclosure and the specific training for its correct application".

In this regard, and given the importance of the Code's compliance for the Group, the necessary means to achieve the goals set forth (among others, the creation of a Compliance Division and the start-up of an Ethical Communications Channel) have been provided.

Since early 2015, the Group has an Anti-Corruption policy developing the commitment expressed in the Code of Ethics, which is to work against corruption and bribery worldwide. This policy reflects the Group's position of zero tolerance for any form of corruption and affects all the people working in the Group. Any event of default with features described in the Code shall be investigated and may lead, if necessary, to the imposition of appropriate disciplinary and legal measures.

CODE OF ETHICS' COMMUNICATION, DISTRIBUTION AND TRAINING PLAN:

The content of the Code of Ethics must be known and understood by any person composing the OHL Group. For this reason, the Group performs different actions of communication, training and distribution measures necessary to its knowledge.

These main actions are:

- Availability of the Code of Ethics in the corporate intranet and on OHL Group's website (path: www.ohl.es/compromiso/canal-ético) in Spanish and English.
- Personalised delivery of the Code of Ethics to recently joined executive, technical and administrative staff for its observance.
- Inclusion of an additional clause in the employment contract, requiring the knowledge, understanding and compliance of the Code of Ethics. Design of specific training actions for the Group's operating staff.
- Disclosure to relevant third parties. Where deemed necessary, the commercial contract between the OHL Group and the subcontractor includes a provision that refers to the existence of the Code of Ethics of the OHL Group, as well as to the obligation to comply with said code in delivering services to the OHL Group.

The Code of Ethics and Anti-Corruption Policy course is mandatory and during 2018 it was completed by a total of 2,911 people with the following country distribution:

Countries / Number of trained people

Spain / 2,211
Mexico / 323
Chile / 167
Colombia / 91
Peru / 115
Other countries / 4
Total / 2,911

The Human Resources and General Services Division is responsible for the distribution and knowledge of the Code of Ethics while the Internal Audit Management is responsible for the monitoring actions.

On an annual basis, the Audit Committee receives a report from the Internal Audit Department of the OHL Group stating the actions taken by each delegated area during the last fiscal year ended, in order to monitor the degree of compliance with and application of the Code of Ethics of the OHL Group.

Because of its importance, it should be noted that on 1 October 2013 Board of Directors, on the motion of the Audit and Committee, agreed to create the Compliance Department, which depends on the Board's Secretary and reports to this Committee.

The main roles of this Department are:

1. Identify legal risks, especially those that result from the criminal liability of legal entities or entail reputational risks.
2. Promote the implementation of the processes necessary to avoid legal breaches related to criminal or reputational risks, and limit, as far as possible, the cases of criminal liability at the Company, actively contributing to preventing and stopping criminal activity.
3. Promote a clear organizational culture, shared by all Group employees at all levels, which is favourable to avoiding conduct liable to trigger any criminal liability on the part of the Company, its managers and directors.
4. Establish in an objective and demonstrable manner, the control and supervisory measures intended to avoid this conduct by employees, at all levels and propose the disciplinary measures that would be implemented if this conduct were to take place.
5. Supervises and ensures there are a Set of Rules, Policies and Regulations reasonably guaranteeing the reliability of the financial information, and compliance of the laws, regulations and policies that are applicable to Group.
6. It periodically informs the Secretary of the Board and the Audit Committee on the performance of the Annual Action Plan with regard to the Directors.
7. It establishes measures for the prevention of criminal conduct in the following areas:
 - Anti-corruption: crimes of private corruption, bribery and corruption in international trading transactions.
 - Cybercrimes: hacking crimes, disclosure of trade secrets and similar infractions.
 - Control during the preparation of financial information: investor fraud crimes.
 - Market Abuse and Share Price Manipulation.
 - Non-compliance of LOPD (Protection of Personal Data Act) and Privacy.
 - Money laundering.
 - Fraud to obtain subsidies and government aid.
 - Crimes against natural resources and the environment.

- Workplace Harassment.

8. It applies the Code of Ethics and proposes updates so as to adapt it to any amendments made to the legal framework, ensuring its dissemination and that the Group is made aware of it.

9. Proposes the approval of the Code of Ethics' internal regulation development, which will include a system of penalties for breaches.

10. Address reports received through the Ethics Channel.

11. Promote and supervise training activities on the Code of Ethics.

Since 2012, the OHL Group has established a Whistleblowing Channel that is governed by an internal procedure published on the corporate intranet.

F.2. RISK ASSESSMENT OF FINANCIAL INFORMATION.

The strategic goals with respect to Risk Management are geared to successfully implement and keep a reliable Risk Management system, as well as to use it as a management tool at all decision-making levels.

This system develops and implements a common set of processes, risk categories, and risk management tools and techniques with the aim of:

- Identifying and managing risks at Group, Division and project level.
- Developing an integrated report that allows for identification and follow-up of critical risks;
- Align the risk tolerance levels with the Group's goals.
- Enhancing risk reporting and information;
- Improve decision-making regarding response to risk.
- Integrate the management risk into the decision-making processes.
- Reducing the Group's vulnerability to adverse events;
- Establish and keep a culture of risk awareness.
- Increase the trust and assurance of the Board of Directors and stakeholders regarding the timely management and reporting of material risks.

Risk management is essential for the organisational culture of the OHL Group. All risks must be identified, prioritised, in line with the strategic and operational objectives and evaluated. To achieve this, the OHL Group follows the Governance Model on Risk Management and the Risk Management Framework that contains the Risk Management Policy.

The risk management system covers four large risk categories:

1.- Strategic risks: This category includes risks related to changing and specific circumstances of the markets in which the Group operates, in particular, possible regulatory changes, country risk, risks of partnerships or joint ventures, and reputation and image risks.

2.- Operating risks: the Group's main operating risks include:

- Contracting/Supply
- Subcontracting and suppliers.
- Production
- Performance and Operations
- Assets management
- Employment
- Environmental
- Technology and systems
- Force majeure
- Fraud and corruption

For all such risks, the Group has processes that provide a framework and, together with the procedures set forth, follow up such risks establishing measures which should be applied if a risk of breach of the goals set forth is observed.

3.- Compliance risks: risks related to compliance with applicable legislation, contractual commitments and internal regulations.

4.- Financial risks: they are related to access to financial markets, cash and tax management, reliability of the economic and financial information, and management of insurance.

Each operating division and functional area perform periodic reviews of their risk list at least once a year, although in 2018 no changes have been introduced in the risks of financial information. A key aspect for the overall success of risk management is the explicit belief of the OHL Group that all employees must be supportive of a culture of transparency, awareness and open dialogue when it comes to risk. The OHL Group desires to have open, timely and frank discussions on risk, besides being more aware of risks, whereby following the Risk Management System. The OHL Group's Senior Management provides the tools required for its employees to take advantage of the opportunities related to the risks and, in this manner, facilitate risk reporting, monitoring and measurement.

The documentation of the processes which may materially affect financial reporting is subjected to ongoing follow-up and enhancement.

An important part of this follow up and improvement process is determining the scope of the Financial Information System in order to establish, within the Group, relevant companies and also identify the significant operating or support processes for such companies and their risks. All that based on the materiality and risk factors inherent to each Division.

This scope is determined based on materiality criteria, both qualitative and quantitative, so that relevant areas and critical processes with significant impact on financial information, relevant items of the financial statements and of financial information in general, and the most relevant transactions are identified, as well as material Companies, considering the existing degree of centralisation/decentralisation.

Based on the scope determined at each time and on the processes involved in the creation of the financial information, risks which may affect said information are identified, covering all financial reporting goals (existence and occurrence). completeness; valuation; rights and obligations; and submission and reporting) and taking into account the different abovementioned risk categories to the extent they affect financial information.

The scope of the Financial Information Internal Control System is reviewed, at least, annually before establishing the financial information delivery schedule for subsidiaries, and whenever a new company with a significant impact is incorporated to or removed from the Group's consolidation scope. In this regard, the Group has an identification process of the consolidation scope whereby the Group's Corporate Economic and Administrative Division, updates said scope considering notices of changes received based on the defined procedure. In the fiscal year 2018, 5 new companies have been added to the consolidation scope and 9 companies have left after leaving the Group in this fiscal year.

The Group's General Economic and Financial Division, through its Economic and Administrative Division, is liable for the maintenance of the scope and financial information risk identification process, and is also in charge of informing the external and internal audit of any changes on the scope.

ENDORSMENT OF THE CODE OF GOOD TAX PRACTISES

The company reports that by the Board of Directors' agreement dated 12 May 2015, the OHL Group has adhered to the Code of Good Tax Practices with the Spanish Ministry of Economy and Finance, taking its principles as their own.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 28/03/2019.

State if there were any directors who voted against or abstained from the approval of this Report.

Yes ☐

No ☒

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF OBRASCÓN HUARTE LAIN, S.A. FOR 2018

To the Directors of Obrascón Huarte Lain, S.A.,

As requested by the Board of Directors of Obrascón Huarte Lain, S.A. ("the Entity") and in accordance with our proposal-letter of 30 January 2019, we have applied certain procedures of the accompanying information relating to the ICFR system of Obrascón Huarte Lain, S.A. for the year ended 31 December 2018, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard that, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Entities", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 31 December 2018 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we will not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information will address all the information required in accordance with the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in Spanish National Securities Market Commission (CNMV) Circular 5/2013, of 12 June 2013, subsequently amended by CNMV Circular 7/2015, of 22 December 2015, and CNMV Circular 2/2018, of 12 June 2018 ("the CNMV Circulars").
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR system. In this regard, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives and other internal or external specialists providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of the CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta
1 April 2019